



Comprehensive Annual Financial Report

**Fiscal Year Ended
June 30, 2005**

**Prepared by:
Business Office
Paul A. Soma, CPA, CFO
Traverse City Area Public Schools**

**TRAVERSE CITY AREA PUBLIC SCHOOLS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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INTRODUCTORY SECTION

September 26, 2005

To Board of Education and the Citizens
of the Traverse City Area Public School System,

State law requires that school districts publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited by a firm of licensed certified public accountants using accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. These financial statements are required to be filed by November 15 of each year for the immediately preceding fiscal year.

Pursuant to this requirement, we are proud to issue this Comprehensive Annual Financial Report (CAFR) of the Traverse City Area Public Schools (the District) for the year ended June 30, 2005. This report differs from financial reports that we have issued in the past in that it is more comprehensive in scope and contains statistical information that includes financial and non-financial data presented over multiple (primarily ten) years. As was the case when we presented our financial statements in their previous format, we as management are responsible for the financial information contained in this CAFR. We assume full responsibility for the completeness and reliability of all the information presented herein.

The format of this CAFR is designed to meet the needs of a broad spectrum of readers of financial reports and is divided into three major sections:

- Introductory section – The introductory section introduces the reader to the report and includes this transmittal letter, the organizational chart of the District, and a list of Trustees elected to the Board of Education and other officials of the District.
- Financial section – The financial section consists of the independent auditors' report, management's discussion and analysis, the basic financial statements, and combining and individual fund statements and schedules.
- Statistical section – The statistical section contains financial and other information that differ from financial statements in that they present non-accounting data, cover several years, and are designed to reflect social and economic data and financial and fiscal trends that help the reader gain a more thorough understanding of the District as a whole.

This transmittal letter is designed to introduce the reader to the District by providing high-level information of the District and the environment in which it exists. This transmittal letter should be read in conjunction with Management's Discussion and Analysis presented in the financial section of the CAFR.

District Profile and Current Initiatives

The District's history dates back to 1853 when it was first organized as an "ungraded" school system that served approximately 3 square miles. Through the years, the District grew through numerous annexations, most of which took place from 1956 through 1979, to encompass its current size of approximately 300 square miles. In 1979, the board of education changed the District's name from the School District of Traverse City to the Traverse City Area Public Schools. The District currently serves over 10,800 students.

The District is organized under Section 380.401 of the Revised School Code of Michigan. Its purpose is to educate those students who reside within its borders and any students outside its borders who choose to attend the District through the "schools of choice" program. To accomplish this purpose, as of September 1, 2005, the District operates 16 elementary schools, two junior high schools, two traditional senior high schools, and an alternative high school. To meet the needs of its parents and students, the District offers a number of educational alternatives including traditional K-12 education, Montessori curriculum, gifted and talented programming, and special education programs. On an ancillary basis, the District also offers pre-school and before and after school "latchkey" type programs to meet the wide variety of needs of the District's parents. The District is not reported in any other governmental reporting entity nor does the District contain any component units.

The District is located in the northwest corner of Michigan's lower peninsula and, as noted above, covers approximately 300 square miles. The area is known for its beautiful geography with numerous lakes and hills and abundant farm and otherwise undeveloped land. The most notable aspect of the District's geography is that it surrounds Grand Traverse Bay, which is a well defined bay with a 20 mile peninsula dividing its east and west side (appropriately named East Bay and West Bay). This area is very recognizable on any Michigan map.

The most recent statistics published in June of 2005 by the Michigan Department of Education their bulletin 1014 "Michigan Public School Districts ranked by Selected Financial Data" ranked the District as the 21st largest out of 744 in the state of Michigan in terms student population. Under the school funding system established in Michigan in 1994, schools are funded on a per-pupil "foundation" basis. The Traverse City Area Public School District operates on what is known as the "base" (lowest) foundation per student, which was \$6,700 in fiscal 2005. Overall, the District ranks 566th in total general fund revenues, which include state categorical and federal program revenue, per student of \$7,407. Spending priorities can be seen in the chart below that shows the District focuses its limited resources on instruction (458th in the state for basic programs) and instructional support (255th), and less resources on business and operations (618th).

		<u>Per pupil</u>	<u>State rank</u>
General fund revenues	- All sources	\$ 7,407	566th
General fund expenditures	- Basic programs	3,536	458th
	- Added needs	751	462nd
	- Instructional support	665	255th
	- Business and administration	825	618th
	- Operation and maintenance	765	441st
	- Total	7,265	602nd

Data such as that noted above helps show our stakeholders that the limited resources available to us are directed properly. Additionally, in spite of the tough economic climate faced by many schools in Michigan, our District has the honor of being rated “AA-“ by Standard and Poor’s and “Aa3” by Moody’s Investor Services. Such high ratings serve as independent verification of the District’s commitment to fiscal responsibility.

As noted above, the District takes fiscal responsibility and planning seriously. To this end we have incorporated multi-year budgeting and forecasting into the management of our operations. As a result of this planning, the District has been able to deal with the downturn in the economy and the lack of state funding increases, coupled with double digit increases in health and retirement benefits and utility costs, as effectively as possible. Budget reductions have been made in almost every department and staffing levels have been decreased through attrition. The most notable change over the past three years, however, is the consolidation of elementary buildings through the closing of two, and the reorganization of another. These closing were necessitated by a slowly declining student population at the elementary level and by the realities of the challenging funding situation noted above.

In conjunction with the above noted school closings, multi-year planning has expanded to include long term planning for capital projects. A recent major initiative of the District was to roll this plan out to the public as part of a bond campaign in fiscal 2004. Like many districts across the country, our District is saddled with an aging infrastructure and had gotten behind on major capital replacement schedules for educational equipment and buses. Again like many other districts, funds for the upkeep of infrastructure and for adequate replacement schedules were scarce. The plan put forward to the taxpayers of the District called for a structured, multi-year approach to dealing with the District’s infrastructure problems. The main tenant of this plan was to ask taxpayers to allow the District to sell bonds over the years that would have the impact of keeping the millage rate for debt service consistent at 3.1 mills. In exchange for this, the District could sell \$42 million worth of bonds, in series over those ten years, which would provide funding to:

- Begin upgrading facilities, starting with elementary buildings
- Maintain technology standards and implement a fiber network district-wide
- Replace buses
- Replace certain educational and operational capital equipment

Furthermore, the District has agreed to sell the bonds in short (10 year) durations. This has the impact of keeping interest costs low and having bonds roll off debt schedules quickly. Additionally, as will be discussed later in this transmittal letter, the District has the benefit of existing in an area of rapidly rising property values. Low debt costs, short maturities, and a rapidly rising tax base allow the District leverage in relation to its debt millage.

The voters expressed their overwhelming satisfaction with this plan by passing the bond issue in 2004 by almost a 2-1 margin. As such, work has begun on one of the District’s elementary buildings to upgrade it to modern day standards. Students were moved for fiscal 2005 to one of our closed elementary buildings while the yearlong project is completed. The District plans to work on at least one elementary each year in this manner. The other aspects of the bond project noted above are also well under way.

It is the District's intention to continue to ask taxpayers to allow us to sell bonds that keep the tax rate at the same, and eventually lower, rate. The District situation is such that this type of plan will provide the means, over time, to upgrade all facilities and keep capital purchases current.

Internal Control Structure

The District makes internal financial control a priority. A comprehensive internal control framework has been designed to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. The system of controls that has been established relies on a combination of sound internal control practices such as separation of critical duties, computerized budgetary spending controls on the system, financial review by budgetary managers at the site, department, and district level, and reconciliations of bank accounts and liability accounts on a regular basis. As is sound general practice, the cost of instituting internal controls should not outweigh the benefits received from such controls. The control structure, therefore, is designed to provide reasonable, rather than absolute, assurance that the District's financial statements are free from material misstatements. Independent auditors review the District's internal control structure yearly. Because of internal controls, the District is able to assert that to the best of its knowledge and belief, this financial report is complete and reliable in all material respects.

Budgetary Control

The District adopts an annual budget for its funds, which acts as an initial operating plan for the year in accordance with the State of Michigan Uniform Budgeting and Accounting Act. This budget is established prior to the fiscal year beginning and is amended at various times throughout the year to reflect changes in expectations and assumptions. Major changes that lead to budget amendments include changes to assumptions for state revenue, student enrollment, staffing, and federal and state programs.

Annual appropriations lapse at year-end with the exception of those listed as a fund balance reserve. During June of each year, the District Superintendent, in conjunction with the Chief Financial Officer, present to the Board a proposed operating budget for the next fiscal year commencing on July 1st. This budget includes proposed expenditures and the means of financing them.

The District ensures budgets are not exceeded by establishing "appropriations" for individual budget managers. If a purchase order exceeds appropriations, that transaction will be denied and returned to the originator. Additionally, all large purchases (those in excess of \$5,000) must contain three informal competitive quotes and be approved on-line by the district purchasing manager. The Chief Financial Officer must approve any transaction over \$10,000. Finally, any transaction exceeding the State of Michigan threshold required for sealed bids (\$18,345 in fiscal 2005) must be formally approved by the Board of Education.

The level by which expenditures may not exceed appropriations has been determined by the State to be high-level function (e.g., total instruction, total support service, etc.).

The District's 2005 fund balances and projected 2006 revenues are sufficient to meet the 2006 budget as presented to the public in June of 2005.

Cash Management and Investments

The District monitors cash flow on a monthly basis and prepares formal yearly cash flow projections each June as part of the budget adoption process. Board policy and state law govern investment of idle cash with the exception that the District's policy is more restrictive than state law in that commercial paper, while legal from the state's perspective, is not an authorized investment per the District's policy. The District's policy states, "The primary objectives, in order of priority, of investment activities shall be safety, liquidity, and yield." The policy also calls for periodic (monthly) reports to the Board of Education indicating pertinent investment information such as account balances, market values, maturity dates, and yields. Authorized investments include bonds, bills, or notes of the United States; certificates of deposit issued by a state or nationally chartered bank; securities issued or guaranteed by agencies or instrumentalities of the United States; and mutual funds or investment pools that are composed entirely of investments legal for direct investment by a school district.

Risk Management

The District participates in large self-insurance pools of educational institutions for property and casualty insurance and workers' compensation insurance. The District pays annual premiums into the pools under a retrospectively rated policy. These pools have built sufficient reserves to cover claims by all participating members and in fact, have built excess reserves that are returned to participating members annually based on favorable prior year experience. The pools purchase reinsurance coverage to cover catastrophic claims.

Unemployment compensation is handled on a cost of benefits reimbursement basis with the State of Michigan. Claims are monitored internally to ensure appropriateness. Any inappropriate claims are challenged aggressively to mitigate the District's financial exposure.

Independent Audit

This financial report has been subject to an audit conducted by the licensed Certified Public Accounting firm of Maner, Costerisan & Ellis, P.C.(MC&E). Management has certified to the firm that all records have been made available for their review and that management is not aware of any outstanding issues that would have a material impact on this report. MC&E has issued an unqualified opinion that the financial information contained in this CAFR accurately reflects the year-end condition of the District's financial condition. Additional reports required by the Single Audit Act are included in the section titled "Other Items".

Awards - Certificate of Excellence

The Association of School Business Officials of the United States and Canada (ASBO) may issue a Certificate of Excellence in Financial Reporting.

In order to be awarded a Certificate of Excellence, a district must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, which conforms to standards. A certificate is valid for a period of one year.

The District will be submitting this year's report to ASBO for the first time to determine its eligibility for the certificate.

Economic Condition and Outlook of Local Economy

Traverse City Area Public Schools is located in Grand Traverse County and contains small portions of Benzie and Leelanau Counties. The economy is varied with the majority of employment being in the Services (approximately 33%) and retail trade (approximately 17%) industries. Other industries that play a major role in employment include financial, insurance, and real estate (approximately 8%), local government (approximately 8%) and durables manufacturing (approximately 7%) (Source: *2005 Economic Forecast*, prepared by the Traverse City Area Chamber of Commerce).

Ironically, the same factors that make this area desirable from a quality of life standpoint and an attractive place to vacation to “get away from it all”, can also be seen as impediments to economic growth. The Traverse City Area is geographically located out of the way of any mainstream thoroughfare, and is therefore not an attractive place for major business operations that may require intra or interstate commerce. In general, compensation in the area lags state and national averages, while unemployment exceeds state and national averages.

In spite of the above, the region continues to grow. In fact, the region is projected to grow four times faster than the state, and about twice as fast as the rest of the country over the next fifteen years in terms of population. People who move to this area routinely do so for “quality of life” reasons. The fastest growing segment of the population in this area is made up of individuals age 55 to 64. (Source: *2005 Economic Forecast*, prepared by the Traverse City Area Chamber of Commerce).

This type of growth is a major factor driving this region’s economy. As the population ages, it is expected that demand for medical services will continue to grow. Munson Medical Center is the region’s largest employer. The medical services industry is expected to be the fastest growing industry in the region through 2010.

Tourism also plays a major role in this region’s economy and will likely play a large role in the region’s growth in the coming years. Mainstream attractions are increasingly looking to locate in Traverse City given its propensity to attract tourists. The Great Wolf Lodge is a prime example of this. Gaming, another activity that attracts tourists, is also a major player in the area. Traverse Bay Entertainment, which specializes in gaming, is the region’s third largest employer.

During fiscal year ended June 30, 2005, the region’s top ten largest employers and number employed are as follows:

Employer	Number employed
Munson Medical Center	3,000
Traverse City Area Public Schools	1,513
Traverse Bay Entertainment	1,200
Interlochen Center for the Arts	350 - 1,200
Nish-Nah-Bee	500 - 999
Grand Traverse Resort	600 - 900
Sara Lee Bakeries	616
Cherry Growers, Inc.	225 - 600
United Technologies	600
Northwestern Michigan Community College	597

One interesting factor to note about this region's economy is the rate of growth in the taxable value of this region's property. Property values have grown at an average rate of 7.81% over the last five years. Taxable value of property located in the District over the last five years is as follows:

Ad Valorem Taxable Value Growth History

1999	\$ 2,204,841,261	
2000	2,369,614,443	7.47%
2001	2,576,525,624	8.73%
2002	2,785,748,069	8.12%
2003	2,973,763,431	6.75%
2004	3,211,211,575	7.98%

While this growth does not impact the general fund revenues of the District (as noted earlier, districts in Michigan are state funded institutions funded on a per-pupil foundation allowance), it does impact the District's ability to raise funds for infrastructure needs. This growth is one of the major factors involved in the District's long term infrastructure planning. As property values grow, the District is able to leverage more dollars at the same millage rate. The community has responded positively to this approach.

Acknowledgements

The preparation of this report could not have been accomplished without the hard work and dedication of the members of the business office. We would like to express appreciation to all the members of the business office for their assistance with this report and their commitment to the District throughout the year. You are truly an impressive staff! Special appreciation for the compilation of this report is expressed to LeAnn Eustice, Manager of Business Operations, Wes Souden, Director of Business Technology, and Keena Tibbetts, Executive Assistant to the CFO.

We would also like to express our gratitude to Jim Pavelka, former Superintendent of Traverse City Area Public Schools, whose leadership provided the basis for an effective and efficient business operation.

Finally, we express our gratitude to the Board of Education for their support of, and commitment to, the responsible financial management of the District.

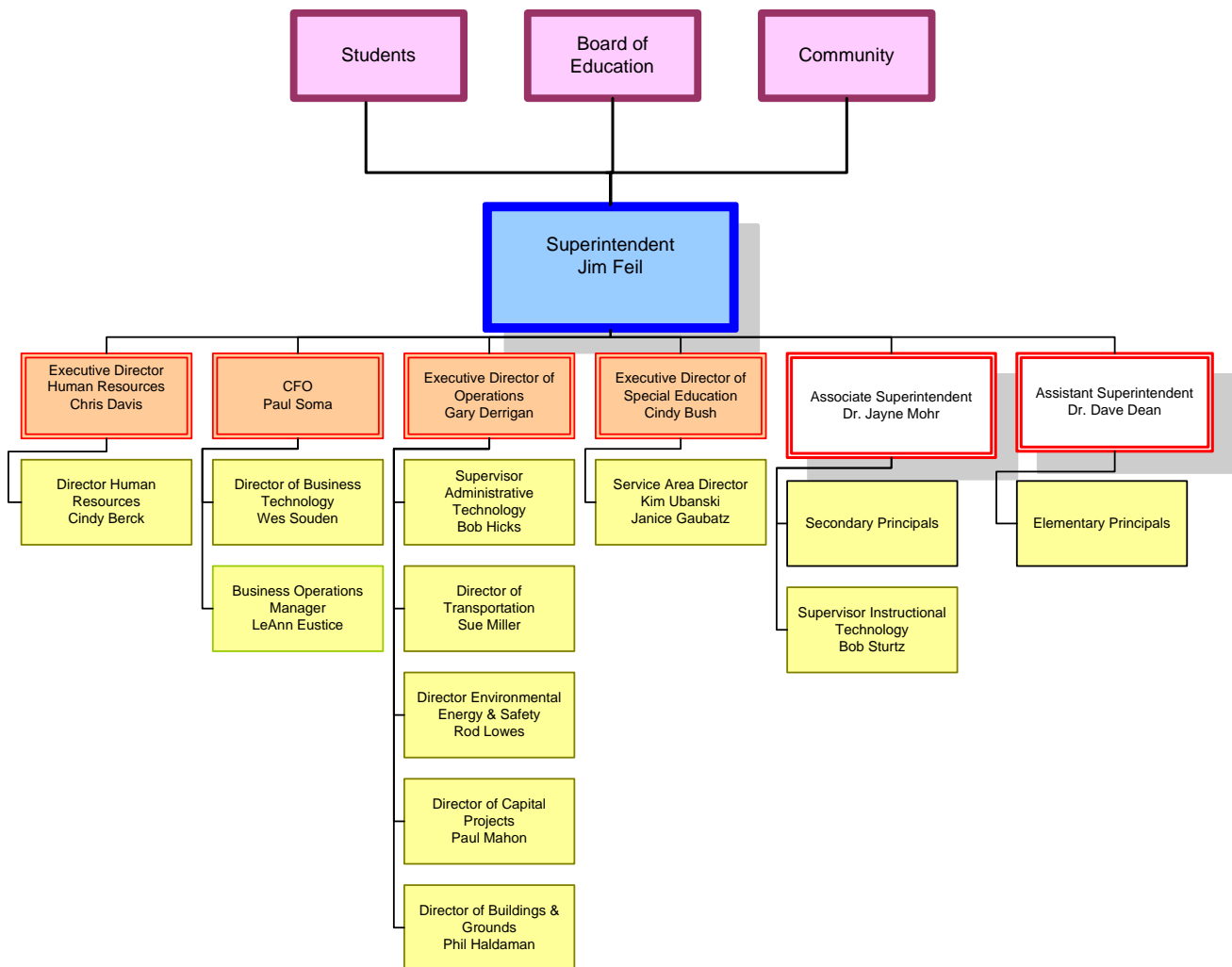
Respectfully submitted,

James Feil, Superintendent

Paul Soma, CPA, CFO



Organizational Chart



**TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Principal Officials**

Board of Education

Gerald P. Morris	President	June, 2008
Joel R. Casler	Vice President	June, 2007
Richard H. Crampton	Secretary	June, 2007
Alice A. McNally	Treasurer	June, 2006
David W. Barr	Trustee	June, 2009
Suzann E. Brooke	Trustee	June, 2009
Matthew L. Lyberg	Trustee	June, 2006

District Executive Team

James G. Feil	Superintendent
Dr. Jayne H. Mohr	Associate Superintendent
Dr. David Dean	Assistant Superintendent
Paul A. Soma	Chief Financial Officer
Christine Davis	Executive Director of Human Resources and Labor Relations
Gary Derrigan	Executive Director of Operations
Cindy Bush	Director of Special Education

Official Issuing Report

Paul A. Soma	Chief Financial Officer
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Department Issuing Report

Business Office

FINANCIAL SECTION



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raack
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Traverse City Area Public Schools
Traverse City, Michigan

August 18, 2005

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Traverse City Area Public Schools, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Traverse City Area Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Traverse City Area Public Schools as of June 30, 2005, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2005, on our consideration of Traverse City Area Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

August 18, 2005

The management's discussion and analysis and budgetary comparison information on pages 12 - through 20 and page 50, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Traverse City Area Public Schools' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purpose of additional analysis and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements of Traverse City Area Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in addition to the basic financial statements taken as a whole.



Certified Public Accountants

Management's Discussion and Analysis

This section of Traverse City Area Public Schools' (District) comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2005. Please read it in conjunction with the transmittal letter found on pages 1 - 7 and the District's financial statements, which immediately follow this analysis.

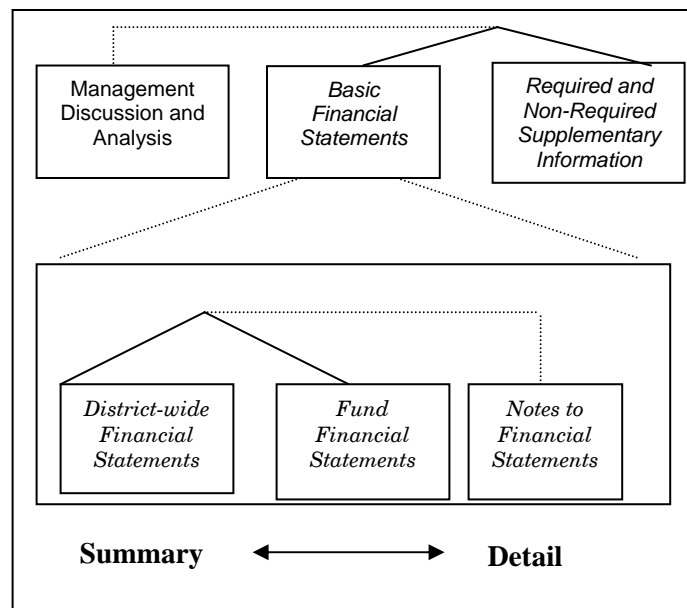
OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required and non-required supplementary information.

District-wide and fund financial statements present two different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.

Figure A-1
Organization of the Financial
Section of the Traverse City Area
Public Schools' Comprehensive
Annual Financial Report



The notes to the financial statements explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. This section is followed by a section of non-required supplementary information. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-Wide and Fund Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> * Statement of net assets * Statement of activities 	<ul style="list-style-type: none"> * Balance sheet * Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> * Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Traverse City Area Public School's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. The statement of activities accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively. The relationship between revenues and expenses is the District's operating results. However, the District's goal is not simply to generate profits, as may be the case for a commercial entity. To assess the overall health of the District, one must consider many other factors, such as quality of education provided, safety of the students, enrollment trends and the physical condition of school buildings and other facilities, just to name a few. The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, food services, and childcare. Unrestricted State Aid (foundation allowance revenue), property taxes, and state and federal grants finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The District establishes other funds to help it control and manage money for particular purposes (e.g., Child Care Fund) or to show that it is properly using certain revenues (e.g., Food Services Fund).

The District has two kinds of funds:

- Governmental funds – All of the District's basic services are included in governmental funds, which generally focus on how cash (and assets that can be readily converted to cash) flow in and out and the balances left at year-end that are available for spending. These balances are reported using the modified accrual basis of accounting. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.
- Fiduciary Funds – The District is the Trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and only by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Recall that the statement of net assets provides the perspective of the School District as a whole. Figure 1 provides a summary of the District's net assets as of June 30, 2005 and June 30, 2004. At the end of this fiscal year, the District's assets exceeded liabilities by \$58.2 million.

Figure 1
Traverse City Area Public Schools' Net Assets

	2005	2004	Change
Current and other assets	\$ 41,426,261	\$ 31,849,946	\$ 9,576,315
Capital assets	110,094,244	111,414,615	(1,320,371)
Total assets	151,520,505	143,264,561	8,255,944
Long-term debt outstanding	71,772,616	69,073,798	2,207,821
Other liabilities	21,558,709	19,137,529	2,912,177
Total liabilities	93,331,325	88,211,327	5,119,998
Net assets			
Invested in capital assets, net of related debt	43,695,795	39,880,280	3,815,515
Restricted	1,115,670	1,303,880	(188,210)
Unrestricted	13,377,715	13,869,074	(491,359)
Total net assets	\$ 58,189,180	\$ 55,053,234	\$ 3,135,946

- The largest portion of the District's net assets (75%) reflects its investment in capital assets (e.g., land, buildings and improvements, furniture, and equipment, net of accumulated depreciation), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students and hence these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion (2%) of the District's net assets represents resources that are subject to external restrictions on how they may be used. This entire balance is restricted for debt service.
- The remaining balance of unrestricted net assets (23%) may be used to meet the District's obligations for normal operations in its various funds.

The District is able to report positive balances in all three categories of net assets. Capital assets, net of related debt, increased as a result of additional funds available for investment into buildings and equipment, net of an increase in long-term debt. Changes in restricted and unrestricted net assets were the result of a planned spend down of these assets during the year.

Figure 2 shows the change in net assets of the District's governmental activities for both fiscal years:

Figure 2
Changes in Traverse City Area Public Schools' Net Assets

	2005	2004	Change
REVENUES			
Program revenues:			
Charges for services	\$ 5,915,391	\$ 5,468,947	\$ 446,444
Federal and state categorical grants	7,023,234	7,906,016	(882,782)
General revenues:			
Property taxes	35,909,932	32,901,884	3,008,048
State aid - unrestricted	47,489,558	49,685,396	(2,195,838)
Other	3,636,580	2,687,616	948,964
Total revenues	<u>\$ 99,974,695</u>	<u>98,649,859</u>	<u>1,324,836</u>
EXPENSES			
Instruction	48,823,122	46,915,972	1,907,150
Support services	32,394,692	30,463,216	1,931,476
Community services	2,512,309	3,174,945	(662,636)
Food services	4,539,385	4,489,544	49,841
Athletics	1,557,295	1,551,804	5,491
Outgoing transfers and other transfers	215,361	415,524	(200,163)
Interest on long-term debt	3,331,954	3,642,192	(310,238)
Unallocated depreciation	3,464,631	3,584,607	(119,976)
Total expenses	<u>96,838,749</u>	<u>94,237,804</u>	<u>2,600,945</u>
Increase in net assets	<u>\$ 3,135,946</u>	<u>\$ 4,412,055</u>	<u>\$ (1,276,109)</u>

As shown in Figure 1, the District's net assets were \$58,189,180 at June 30, 2005, which is a 5.7 % improvement over the prior year. This increase is primarily the result of changes in the District's capital projects funds and long-term debt structure. This past year, the District sold new bonds to finance capital projects and refinanced prior year bonds. The result of selling the new bonds was to increase the assets available for use on capital projects, which helps account for the large increase seen in Figure 1 for *Current and other assets*. This increase was offset, for the most part, by two factors. The first is that depreciation expense exceeded new capital acquisitions by \$1.45 million. The second factor is our new bond sales and our refinancing exceeded the pay down of long-term debt outstanding by approximately \$3.9 million.

As was the case in the previous year, property tax revenue increased over the prior year and unrestricted state revenues decreased. This is the result of the state funding mechanism that calls for the state to deduct dollar for dollar revenue from our District for every increase in revenue generated locally through our 18-mil non-homestead property tax.

DISTRICT GOVERNMENTAL ACTIVITIES

As noted earlier, the District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources the state, taxpayers and others provide to it and may provide more insight into the District's overall financial health.

As the District completed this year, the governmental funds reported a combined fund balance of \$29,218,056, which is an \$8,895,150 increase from the prior year. The reason for this increase is the sale of bonds to create the 2005 capital projects fund and, to a lesser extent, excess revenues over expenditures in debt refunding funds and other non-major governmental funds. These increases were offset by excess expenditures over revenues in the general and 2001 and 2004 capital projects funds. Highlights of these items include:

- Capital projects fund balances, in total, increased by \$9,131,671 as a result of the sale of \$11 million in new bonds less the spend down of funds for capital projects.
- The general fund balance decreased by \$465,702, as a result of a planned use of fund balance to help mitigate the third straight year of no increase in state funding for schools.
- Minor increases in other non-major funds and debt refunding funds accounted for the remaining increase in the District's combined fund balances.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget as it attempts to deal with numerous changes in expected revenues and expenditures. Under normal circumstances, the District adjusts its budget to reflect a wide variety of federal and state programs, many of which are not finalized until well after the District's original budget is required to be adopted. Additionally, the State of Michigan has faced a severe economic downturn in recent years and generally has not adopted its state school aid budget until well after our budget is required to be adopted. Given that the majority of our revenues come in the form of state-aid, this situation has presented major challenges to schools in Michigan as they prepare their original budgets. We are no exception in this regard. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The District amended its budget on three occasions this fiscal year.

A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Highlights of changes to the general fund original budget as compared to the final budget were as follows:

- Budgeted revenues were increased \$5,697,522, which was primarily the result of recognizing additional federal and state program revenues, coupled with an increase of 88 students above our original projections, and a one-time allocation to our District from our Intermediate School District. The impact of these changes from our original budget to our amended budget is as follows:
 1. Recognition of all restricted Federal and State programs into our budget accounted for approximately \$4.2 million of the noted increase.

2. Increase in student count of 88 students over our original estimate resulted in a \$589,000 increase to the general fund revenues.
 3. One-time allocation from our ISD to supplement District revenues accounted for an increase of approximately \$800,000 to the District's revenues.
- Minor increases in interest income and other accounted for the remainder of the budget adjustments to revenues.
 - Budgeted expenditures were increased by \$5,441,595, which was also primarily the result of recognizing additional federal and state programs during the year, and increasing staff and other ancillary costs to accommodate the additional students. Approximately \$3 million of this increase was attributable to direct instruction while the remainder was attributable to support functions. The largest support function increase occurred in instructional support, which increased by approximately \$1.1 million, which was followed by operations and transportation increases that totaled approximately \$650,000, some of which was caused by large and unexpected increases in utility and diesel fuel costs. Minor increases across all other functions accounted for the remaining fluctuation.

Highlights of the final amendment in comparison to actual results included the following:

- The \$946,708 negative revenue variance is the result of deferring approximately \$1.5 million more than budgeted in federal and state restricted revenues. This variance is an expected outcome in that federal programs are budgeted in their full amounts and any remaining program budget is "carried over" to the next fiscal year. The District does not lose these funds. This negative variance was offset by positive variances in local and other revenues of approximately \$500,000. The positive variances were primarily the result of higher than budgeted interest income, facility use revenues and other miscellaneous revenues.
- The \$2,872,082 positive variance in expenditures is the result of not spending all federal and state program dollars (which, as stated above, are carried over to the next year), coupled with a positive general fund variance in general fund unrestricted expenditure line items. Specifically:
 1. Approximately \$1.5 million of the positive variance is the result of federal and state program carryovers. These restricted grants are budgeted at their full amount during our fiscal year. Because most of these grants do not have the same fiscal year as our District, any amount remaining at June 30 is simply rolled over into our new fiscal year.
 2. Of the remaining amount, approximately \$400,000 was budgeted for projects in fiscal year 2005 that could not be completed and/or purchased until fiscal year 2006. It is the intent of the District to re-appropriate these funds for the same purpose in fiscal 2006.

3. The remaining positive budget variance of approximately \$800,000 represents approximately 1% of general fund budgeted expenditures. This variance is consistent with our District's conservative spending practices. The District makes a concerted effort to stretch dollars throughout the year by spending for only what is needed and being very cautious in regard to replacing staff. In a number of cases, especially in regard to the positive variance of \$400,000 in operations and maintenance, the variance is the result of not filling certain open positions. This was done specifically as a cost savings measure while analysis of potential reorganization of the operation occurred.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had \$162.7 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents an increase (including additions and disposals) of approximately \$2.1 million or 1.3 percent, from last year. Total non-current capital net assets, however, decreased from approximately \$111.3 million to \$109.9 million (1.3%) as a result of an increase in accumulated depreciation, which offset the increase in total assets by approximately \$1.4 million.

	2005		2004
	Cost	Accumulated depreciation	Net book value
Land	\$ 3,171,600		\$ 3,171,600
Construction in progress	267,832		215,494
Land improvements	1,296,825	511,824	785,001
Building and additions	141,356,314	41,376,714	99,979,601
Transportation equipment	7,727,697	5,839,891	1,887,806
Machinery and equipment	8,846,507	5,088,140	3,758,366
Total	<u>\$ 162,666,775</u>	<u>\$ 52,816,569</u>	<u>\$ 109,850,206</u>
			<u>\$ 111,300,365</u>

This year's additions of \$2,628,845 included, equipment, technology, building renovations and buses. More detailed information regarding the District's capital asset activity can be found in Note 4 to the basic financials statements included immediately following this analysis.

Long-term Debt

At year-end the District had \$78,868,938 in general and limited obligation bonds and \$1,645,860 in other long-term debt outstanding. The combined total resulted in an increase of 5.5 percent from last year. This change was the result of the following:

- The District continued to pay down old debt. In addition, the District refunded a portion of its old debt. The combined effect of these two items was a reduction of \$6,921,569 in outstanding debt.

- Other long-term debt was increased by \$95,233.
- The District issued \$11 million in new debt. This bond issue is the first in a series of bonds that total \$42 million approved by voters in calendar year 2004.

More detailed information about the District's long-term liabilities is presented in the notes to the basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of four existing circumstances that could significantly affect the financial health of our District in the future:

- State funding sources continue to be on unstable ground, as the Michigan economy has not experienced the economic recovery currently underway in the rest of the country. The state has instituted mid year reductions to school aid in two of the last three years. The state aid act that was passed in late September calls for a per pupil increase in funding of \$175 or 2.6%. This amount is what the District has budgeted. A mid-year reduction to this amount would have an adverse impact on the District's operations.
- The Michigan Public School Employee Retirement System increased the rate they charge districts by 1.47% over the previous year to a total of 16.34% of payroll. This rate is projected to climb as high as 20% by fiscal year 2008. The added burden of this type of increase is a very serious problem facing all school districts in Michigan.
- The cost increases in health insurance premiums continue to be a serious problem for this District and our employees.
- On the positive side, the District has begun to implement a \$42 million capital project plan. These funds are the result of voter authorization that occurred in fiscal 2004 and will be sold in series with short maturities over the next ten years with the intent of keeping borrowing and interest costs low. The first series was sold this past May, and scheduled work and equipment replacement is underway. These funds are being used to renovate elementary buildings and athletic facilities, purchase buses, update technology infrastructure and equipment, and purchase musical instruments and other instructional and operational equipment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Traverse City Area Public Schools, 412 Webster Street, Traverse City, MI 49685. We can be reached by phone at (231) 933-1735.

BASIC FINANCIAL STATEMENTS

TRAVERSE CITY AREA PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2005

ASSETS	Governmental activities
CURRENT ASSETS:	
Cash and cash equivalents	\$ 15,142,053
Investments	15,163,819
Receivables:	
Accounts receivable	177,816
Interest receivable	47,854
Taxes receivable	282,787
Due from other governmental units	10,289,840
Inventories	171,840
Prepaid expenditures	150,252
TOTAL CURRENT ASSETS	41,426,261
NONCURRENT ASSETS:	
Deferred charges, net of amortization	244,038
Capital assets	162,666,775
Less accumulated depreciation	(52,816,569)
TOTAL NONCURRENT ASSETS	110,094,244
TOTAL ASSETS	\$ 151,520,505

The notes to the basic financial statements
are an integral part of this statement.

	Governmental activities
<hr/>	
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 892,536
Accrued salaries and related items	10,344,083
Accrued interest	730,884
Accrued expenses	123,982
Deferred revenue	725,042
Current portion of long-term obligations	8,183,179
Current portion of compensated absences and retirement incentives	559,003
	<hr/>
TOTAL CURRENT LIABILITIES	21,558,709
	<hr/>
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	71,281,619
Noncurrent portion of compensated absences and retirement incentives	490,997
	<hr/>
TOTAL NONCURRENT LIABILITIES	71,772,616
	<hr/>
TOTAL LIABILITIES	93,331,325
	<hr/>
NET ASSETS:	
Invested in capital assets net of related debt	43,695,795
Restricted for debt service	1,115,670
Unrestricted	13,377,715
	<hr/>
TOTAL NET ASSETS	58,189,180
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 151,520,505
	<hr/> <hr/>

The notes to the basic financial statements
are an integral part of this statement.

TRAVERSE CITY AREA PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 48,823,122	\$ 52,669	\$ 3,113,302	\$ (45,657,151)
Support services	32,394,692	891,654	1,505,095	(29,997,943)
Community services	2,512,309	1,592,487	869,774	(50,048)
Outgoing transfers and other transactions	215,361			(215,361)
Food services	4,539,385	2,994,751	1,535,063	(9,571)
Athletics	1,557,295	383,830		(1,173,465)
Interest on long-term debt	3,331,954			(3,331,954)
Unallocated depreciation	3,464,631			(3,464,631)
Total governmental activities	<u>\$ 96,838,749</u>	<u>\$ 5,915,391</u>	<u>\$ 7,023,234</u>	(83,900,124)
General revenues:				
Property taxes, levied for general purposes				25,924,215
Property taxes, levied for debt service				9,985,717
Investment earnings				639,026
State sources				47,489,558
Gain on sale of fixed assets				32,253
Traverse Bay Area ISD special education allocation				1,852,986
Other				<u>1,112,315</u>
Total general revenues				<u>87,036,070</u>
CHANGE IN NET ASSETS				3,135,946
NET ASSETS, beginning of year				<u>55,053,234</u>
NET ASSETS, end of year				<u>\$ 58,189,180</u>

The notes to the basic financial statements
are an integral part of this statement.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General fund	2005 Capital projects fund	2004 Capital projects fund	2001 Capital projects fund	Other nonmajor governmental funds	Total governmental funds
ASSETS						
ASSETS:						
Cash and cash equivalents	\$ 10,107,276	\$ 1,205,806	\$ 915,157	\$	\$ 2,913,814	\$ 15,142,053
Investments	4,108,320	9,420,344	1,635,155			15,163,819
Receivables:						
Property taxes receivable	241,946				40,841	282,787
Accounts receivable	95,314				82,502	177,816
Interest		42,328	5,526			47,854
Due from other governmental units	9,658,034				631,806	10,289,840
Due from other funds	826,667				398,997	1,225,664
Inventories	49,909				121,931	171,840
Prepaid expenditures	150,252					150,252
TOTAL ASSETS	\$ 25,237,718	\$ 10,668,478	\$ 2,555,838	\$	\$ 4,189,891	\$ 42,651,925
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 848,663	\$	\$	\$	\$ 43,873	\$ 892,536
Accrued salaries and related items	10,344,083					10,344,083
Due to other funds	233,380	98,293	59,674		834,317	1,225,664
Accrued expenses	123,982					123,982
Deferred revenue	785,269				62,335	847,604
TOTAL LIABILITIES	12,335,377	98,293	59,674		940,525	13,433,869

The notes to the basic financial statements
are an integral part of this statement.

	General fund	2005 Capital projects fund	2004 Capital projects fund	2001 Capital projects fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:						
Reserved for inventories	\$ 49,909	\$	\$	\$	\$ 121,931	\$ 171,840
Reserved for prepaid expenditures	150,252					150,252
Reserved for debt service					1,846,554	1,846,554
Reserved for capital outlay		10,570,185	2,496,164			13,066,349
Designated for curriculum development initiative	56,783					56,783
Designated for building carryover	643,257					643,257
Designated for department carryover	296,496					296,496
Designated for bus notes	198,620					198,620
Designated for severance pay	1,050,000					1,050,000
Designated for building supplies	105,600					105,600
Designated for technology/software	160,267					160,267
Designated for budget stabilization	2,700,000					2,700,000
Unreserved, undesignated	7,491,157				1,280,881	8,772,038
TOTAL FUND BALANCES	<u>12,902,341</u>	<u>10,570,185</u>	<u>2,496,164</u>		<u>3,249,366</u>	<u>29,218,056</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 25,237,718</u>	<u>\$ 10,668,478</u>	<u>\$ 2,555,838</u>	<u>\$</u>	<u>\$ 4,189,891</u>	<u>\$ 42,651,925</u>
Total Governmental Fund Balances						\$ 29,218,056
Amounts reported for governmental activities in the statement of net assets are different because:						
Value of amortized bond issuance costs					\$ 263,554	
Accumulated amortization					(19,516)	
						244,038
Capital assets used in governmental activities are not financial resources and are not reported in the funds						
The cost of the capital assets is					162,666,775	
Accumulated depreciation is					(52,816,569)	
						109,850,206
Long-term liabilities are not due and payable in the current period and are not reported in the funds:						
Bonds payable						(79,464,798)
Compensated absences						(1,050,000)
Accrued interest is not included as a liability in government funds, it is recorded when paid						(730,884)
Deferred revenue at June 30, 2005, expected to be collected after September 1, 2005						122,562
Net assets of governmental activities						<u>\$ 58,189,180</u>

The notes to the basic financial statements are an integral part of this statement.

TRAVERSE CITY AREA PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General fund	2005 Capital projects fund	2004 Capital projects fund	2001 Capital projects fund	Other nonmajor governmental funds	Total governmental funds
REVENUES:						
Local sources:						
Property taxes	\$ 25,925,302	\$	\$	\$	\$ 9,985,419	\$ 35,910,721
Tuition	49,860				1,545,125	1,594,985
Investment earnings	381,637	60,064	61,754	3,966	131,605	639,026
Food sales, athletics, and community service					2,943,600	2,943,600
Other	1,477,339				539,145	2,016,484
Total local sources	27,834,138	60,064	61,754	3,966	15,144,894	43,104,816
State sources	49,300,008				153,806	49,453,814
Federal sources	2,741,346				2,334,290	5,075,636
Incoming transfers	2,060,965					2,060,965
Intermediate sources	82,277				325,552	407,829
Total revenues	82,018,734	60,064	61,754	3,966	17,958,542	100,103,060
EXPENDITURES:						
Current:						
Instruction	48,866,737					48,866,737
Supporting services	31,735,208					31,735,208
Food service activities					4,528,824	4,528,824
Athletic activities					1,504,280	1,504,280
Community service activities	236,950				2,257,966	2,494,916
Outgoing transfers and other transactions	342,093				296,341	638,434
Capital outlay		430,699	691,196	707,070	106,885	1,935,850
Debt service:						
Principal repayment	82,646				6,830,000	6,912,646
Interest expense	2,188				3,225,215	3,227,403
Payment to refunded bond escrow					204,844	204,844
Bond issuance costs					90,124	90,124
Other expense			69,485	36,483	34,438	140,406
Total expenditures	81,265,822	430,699	760,681	743,553	19,078,917	102,279,672

The notes to the basic financial statements
are an integral part of this statement.

	General fund	2005 Capital projects fund	2004 Capital projects fund	2001 Capital projects fund	Other nonmajor governmental funds	Total governmental funds
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 752,912</u>	<u>\$ (370,635)</u>	<u>\$ (698,927)</u>	<u>\$ (739,587)</u>	<u>\$ (1,120,375)</u>	<u>\$ (2,176,612)</u>
OTHER FINANCING SOURCES (USES):						
Proceed from issuance of bonds		11,000,000				11,000,000
Proceed from bond refunding					11,110,000	11,110,000
Bond premium					681,267	681,267
Payment to refunded bond escrow account					(11,692,578)	(11,692,578)
Bond issuance costs		(59,180)				(59,180)
Proceeds sale of fixed asset					32,253	32,253
Operating transfers from other funds	99,475				1,318,089	1,417,564
Operating transfers to other funds	<u>(1,318,089)</u>				<u>(99,475)</u>	<u>(1,417,564)</u>
Total other financing sources (uses)	<u>(1,218,614)</u>	<u>10,940,820</u>			<u>1,349,556</u>	<u>11,071,762</u>
NET CHANGE IN FUND BALANCES	<u>(465,702)</u>	<u>10,570,185</u>	<u>(698,927)</u>	<u>(739,587)</u>	<u>229,181</u>	<u>8,895,150</u>
FUND BALANCES:						
Beginning of year	<u>13,368,043</u>		<u>3,195,091</u>	<u>739,587</u>	<u>3,020,185</u>	<u>20,322,906</u>
End of year	<u><u>\$ 12,902,341</u></u>	<u><u>\$ 10,570,185</u></u>	<u><u>\$ 2,496,164</u></u>	<u><u>\$</u></u>	<u><u>\$ 3,249,366</u></u>	<u><u>\$ 29,218,056</u></u>

The notes to the basic financial statements
are an integral part of this statement.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Net change in fund balances total governmental funds \$ 8,895,150

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(4,079,004)
Capital outlay	2,628,845

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	626,333
Accrued interest payable, end of the year	(730,884)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Proceeds from issuance of debt	(22,110,000)
Payments on debt	18,437,646
Premiums on debt	(681,267)
Bond issuance costs	149,304
Deferred amount on bond refunding	372,423
Amortization of bond issuance costs	(19,516)
Amortization of deferred loss on refunding	(35,481)
Amortized premium	20,894

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Deferred revenue, beginning of the year	(283,180)
Deferred revenue, end of the year	122,562

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences and retirement incentives, beginning of the year	872,121
Accrued compensated absences and retirement incentives, end of the year	(1,050,000)

Change in net assets of governmental activities	\$ 3,135,946
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The notes to the basic financial statements
are an integral part of this statement.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005**

	<u>Agency fund</u>	<u>Private purpose trust fund</u>
ASSETS		
ASSETS:		
Cash	\$ 815,629	\$ 160,351
Due from other governmental funds	<u>3,285</u>	<u></u>
TOTAL ASSETS	<u><u>\$ 818,914</u></u>	<u><u>\$ 160,351</u></u>
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Due to other governmental funds	\$ 14,103	\$
Due to student and other groups	<u>804,811</u>	<u></u>
TOTAL LIABILITIES	818,914	
NET ASSETS:		
Reserved for scholarships	<u></u>	<u>160,351</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 818,914</u></u>	<u><u>\$ 160,351</u></u>

The notes to the basic financial statements
are an integral part of this statement.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2005**

	<u>Private purpose trust fund</u>
ADDITIONS:	
Donations	\$ 21,491
Interest	<u>2,030</u>
Total additions	<u>23,521</u>
DEDUCTIONS:	
Scholarships awarded	13,505
Other	<u>228</u>
Total deductions	<u>13,733</u>
CHANGE IN NET ASSETS	9,788
NET ASSETS:	
Beginning of year	<u>150,563</u>
End of year	<u><u>\$ 160,351</u></u>

The notes to the basic financial statements
are an integral part of this statement.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Traverse City Area Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Traverse City Area Public Schools (the "District") is governed by the Traverse City Area Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Included are all transactions related to the approved current operating budget.

The *2001, 2004 and 2005 capital projects* fund accounts for the receipt of debt proceeds and the acquisition or construction of capital facilities or equipment held by the District.

The *capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Concluded)

The following is a summary of the revenue and expenditures for the 2001, 2004, and 2005 school bonds' activity:

	2001	2004	2005
Revenue	\$ 244,842	\$ 63,052	\$ 60,064
Expenditures and transfers	\$ 10,244,842	\$ 1,566,888	\$ 489,879

The above revenue figures do not include original 2001, 2004 and 2005 school bond proceeds of \$10,000,000, \$4,000,000 and \$11,000,000, respectively.

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, community service and athletic activities in the special revenue funds.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District maintains debt service funds for the 1995, 1997, 1998, 2001, QZAB, 2004, 2005, 2004 refunding and 2005 refunding bond issues.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where both the principal and interest may be spent. These funds are not reported on the District financial statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005, the foundation allowance was based on pupil membership counts taken in February and September of 2004.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2004 to August 2005. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies

1. Cash and cash equivalents include amounts in demand deposits and money market accounts.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2005, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General Fund - Non-homestead	18.0000
Debt service fund - Homestead and non-homestead	3.1000

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as deferred revenue. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 - 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are evaluated on a case by case basis.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

6. Compensated Absences

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and major special revenue funds. All annual appropriations lapse at year end. Encumbrance accounting is employed in governmental funds. These commitments will be reappropriated during the subsequent year. There were no material outstanding encumbrances at year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds. Encumbrance accounting is employed in the governmental funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2005. The District does not consider these amendments to be significant.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2005 the District had the following investments:

Investment Type	Fair value	Weighted average maturity (years)	Standard & Poor's Rating	%
MILAF External Investment pool - MIMAX	\$ 3,071,059	0.0027	AAAm	20.25%
MBIA External Investment pool - CLASS	1,037,261	0.0027	Not rated	6.84%
U.S. Treasury Bills	1,261,750	0.1946	AAA	8.32%
U.S. Agency Notes and Bonds	7,318,018	0.9166	AAA	48.26%
U.S. Treasury Notes	2,475,731	0.7363	AAA	16.33%
Total fair value	<u>\$ 15,163,819</u>			100.0%
Portfolio weighted average maturity		<u>0.5795</u>		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds, which included money market funds. The pooled investment funds utilized by the District are the Michigan Investment Liquid Asset Fund (MILAF), and the MBIA Class fund. These are external pooled investment funds of "qualified" investments for Michigan school districts. MILAF and MBIA are not regulated nor are they registered with the SEC. MILAF and MBIA report as of June 30, 2005, the fair value of the District's investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The District does not allow direct investment in commercial paper or corporate bonds.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District will take steps to ensure that no more than 40% of its funds are invested in the same investment pool or held by the same bank.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2005, \$15,843,288 of the District's bank balance of \$16,243,288 was exposed to custodial credit risk because it was uninsured and uncollateralized. Interest bearing accounts and certificates of deposit are included in the above totals.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$975,980	\$ 16,118,033
Investments	<u>15,163,819</u>
	<u><u>\$ 31,281,852</u></u>

The above amounts are reported in the financial statements as follows:

Cash Private Purpose Trust Fund	\$ 160,351
Cash Agency Fund	815,629
Cash - District wide	15,142,053
Investments - District wide	<u>15,163,819</u>
	<u><u>\$ 31,281,852</u></u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 4 – CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Capital assets not being depreciated:				
Land	\$ 3,171,600	\$	\$	\$ 3,171,600
Construction in progress	215,494	267,832	215,494	267,832
	3,387,094	267,832	215,494	3,439,432
Capital assets being depreciated:				
Land improvements	1,173,910	122,915		1,296,825
Buildings and additions	140,611,218	745,096		141,356,314
Machinery and equipment	7,187,016	1,659,491		8,846,507
Transportation equipment	8,186,492	49,005	507,800	7,727,697
Subtotal	157,158,636	2,576,507	507,800	159,227,343
Less accumulated depreciation:				
Land improvements	450,492	61,332		511,824
Buildings and additions	38,797,814	2,578,900		41,376,714
Machinery and equipment	4,070,989	1,017,151		5,088,140
Transportation equipment	5,926,070	421,621	507,800	5,839,891
	49,245,365	4,079,004	507,800	52,816,569
Net capital assets	\$ 111,300,365	\$ (1,234,665)	\$ 215,494	\$ 109,850,206

Depreciation for the fiscal year ended June 30, 2005 amounted to \$4,079,004.

Depreciation expense was charged to programs of the government as follows:

Support service	\$ 576,504
Athletics	35,213
Instructional	2,656
Unallocated	3,464,631
	<u>\$ 4,079,004</u>

Depreciation of capital assets that serve multiple functions is recorded as unallocated.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2005:

	Accumulated compensated absences	Accumulated severance benefits	Bonds and other debt	Total
Balance, July 1, 2004	\$ 183,500	\$ 688,621	\$ 75,469,013	\$ 76,341,134
Additions	174,500	3,379	22,826,748	23,004,627
Deletions			18,830,963	18,830,963
Balance, June 30, 2005	358,000	692,000	79,464,798	80,514,798
Less current portion	358,000	201,003	8,183,179	8,742,182
Total due after one year	<u>\$</u>	<u>\$ 490,997</u>	<u>\$ 71,281,619</u>	<u>\$ 71,772,616</u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG-TERM DEBT (Continued)

Bonds payable at June 30, 2005 is comprised of the following issues:

1997 school building and site bonds due in annual installments of \$600,000 through May 1, 2007, with interest at 7.25%.	\$ 1,200,000
1998 refunding bonds due in annual installments of \$1,350,000 to \$2,565,000 through May 1, 2020, with interest at 4.10% to 5.05%.	34,695,000
2001 school building and site bonds due in annual installments of \$800,000 to \$825,000 through May 1, 2014, with interest at 3.30% to 4.40%.	7,300,000
2004 refunding bonds due in annual installments of \$1,840,000 to \$2,790,000 through May 1, 2009, with interest at 4.10% to 4.40%.	9,890,000
2004 school building and site bonds due in annual installments of \$275,000 through May 1, 2014, with interest at 3.20% to 4.30%.	2,475,000
2005 school building and site bonds due in annual installments of \$775,000 to \$2,000,000 through May 1, 2015, with interest at 3.00% to 4.00%.	11,000,000
2005 refunding bonds due in annual installments of \$25,000 to \$1,245,000 through May 1, 2017, with interest at 3.00% to 5.00%.	11,110,000
Plus: premiums on bond issuance, net of amortization	786,085
Less: deferred losses on bond refundings, net of amortization	<u>(514,346)</u>
Total general obligation bonded debt	77,941,739
1998 limited obligation bonds (Durant bonds) due in annual installments of \$70,249 to \$339,211 through May 15, 2013, with interest at 4.76%. Certain state aid payments have been pledged as security.	927,199
Note payable - buses - due in annual installments of \$297,930 from July 15, 2005 to July 15, 2006, with and interest rate of 0.00%	595,860
Other accrued benefits:	
Obligation under contract for compensated absences	358,000
Obligation under contract for retirement incentives - severance	<u>692,000</u>
Total general long term debt	<u><u>\$ 80,514,798</u></u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG-TERM DEBT (Continued)

The Durant bonds, including interest, were issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

On February 7, 2005, Traverse City Area Public Schools issued general obligation bonds of \$11,110,000 with an interest rate ranging from 3.00% to 5.00% to advance refund serial bonds with an interest rate ranging from 5.25% to 7.25%. The serial bonds mature on May 1, 2017. The general obligation bonds were issued at a premium after paying issuance costs of \$90,124, the net proceeds were \$11,692,578. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$372,423.

As a result of the advance refunding, the District reduced its total debt service requirements by \$1,538,908 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$784,237.

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earning from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's government-wide financial statements. As of June 30, 2005, \$57,560,000 of bonds outstanding are considered defeased.

On April 25, 2005, Traverse City Area Public Schools issued a general obligation bond of \$11,000,000 with an interest rate from 3.0% to 4.0% for building and site. The serial bonds mature on May 1, 2015. The general obligation bonds were issued at no discount or premium, after paying issuance costs of \$59,180 the net proceeds were \$10,940,820. The net proceeds from the issuance of the general obligation bonds are going to be used to erect, furnish and equip additions to and remodel, reequip and refurnish school district buildings, acquire and install educational technology improvements, purchase buses and developing improving sites, including playgrounds and outdoor physical education and athletic facilities.

At June 30, 2005, \$1,846,554 is available to service the general obligation debt.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG-TERM DEBT (Concluded)

The annual requirements to amortize debt outstanding as of June 30, 2005, including interest payments of \$22,586,316 are as follows:

Year ending June 30,	Principal	Interest	Amounts payable
2006	\$ 8,183,179	\$ 3,192,956	\$ 11,376,135
2007	8,391,507	2,931,984	11,323,491
2008	7,334,211	2,788,877	10,123,088
2009	7,190,771	2,431,817	9,622,588
2010	5,794,612	2,167,104	7,961,716
2011-2015	27,778,779	7,127,811	34,906,590
2016-2020	14,520,000	1,945,767	16,465,767
	79,193,059	22,586,316	101,779,375
Premium on bond issuance	786,085		786,085
Deferred amount on bond refunding	(514,346)		(514,346)
Compensated absences	358,000		358,000
Retirement incentives	692,000		692,000
	<u>\$ 80,514,798</u>	<u>\$ 22,586,316</u>	<u>\$ 103,101,114</u>

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

Interfund payable and receivable balances at June 30, 2005 are as follows:

Payable Fund	Receivable Fund
2004 Debt refunding \$ 250	General \$ 826,667
2004 Capital projects 56,674	
2005 Capital projects 98,293	
All others 671,450	
\$ 826,667	
General 233,380	All others 398,997
All others 165,617	
398,997	
<u>\$1,225,664</u>	<u>\$1,225,664</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made. All amounts are expected to be repaid within one year.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Continued

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2005 were 12.99% of payroll through September 30, 2004, and 14.87% for October 1, 2004 through June 30, 2005. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2005, 2004 and 2003 were \$7,822,624, \$6,864,763 and \$6,831,054, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits

Under the MPERS Act, all retirees have the option of continuing health, dental and vision coverage.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
Concluded

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2005 or any of the prior three years.

NOTE 9 - CONTINGENCIES

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

NOTE 10 - INTERFUND TRANSFERS

The general fund transferred \$99,310 to the debt service fund, \$1,178,284 to the athletic fund and \$40,495 to the community services fund. The community service fund transferred \$99,475 to the general fund.

The transfers to the athletic fund and community service fund were used to fund operations, the transfer to the debt service fund is for the future retirement of debt, and the transfer to the general fund was to reimburse the general fund.

NOTE 11 - COMMITMENTS

The District has active capital projects outstanding at June 30, 2005. Approximately \$13,000,000 is committed and recorded as fund balance in the 2004 and 2005 capital projects funds.

REQUIRED SUPPLEMENTARY INFORMATION

**TRAVERSE CITY AREA PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2005**

	Original budget	Final budget	Actual	Variance with final budget- positive (negative)
REVENUES:				
Local sources	\$ 27,229,947	\$ 27,469,617	\$ 27,834,138	\$ 364,521
State sources	47,671,294	49,784,916	49,300,008	(484,908)
Federal sources	1,175,114	3,617,918	2,741,346	(876,572)
Incoming transfers and other	1,191,565	2,092,991	2,143,242	50,251
Total revenues	77,267,920	82,965,442	82,018,734	(946,708)
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	38,664,246	41,068,873	40,278,238	790,635
Added needs	8,699,585	9,254,507	8,588,499	666,008
Total instruction	47,363,831	50,323,380	48,866,737	1,456,643
Supporting services:				
Pupil	3,499,227	3,300,938	3,210,735	90,203
Instructional staff	3,663,671	4,796,772	4,149,841	646,931
General administration	600,882	624,426	686,215	(61,789)
School administration	5,228,185	5,526,405	5,354,659	171,746
Business	1,529,582	1,644,737	1,812,195	(167,458)
Operation/maintenance	8,626,900	9,053,943	8,646,837	407,106
Pupil transportation	5,219,295	5,442,335	5,592,073	(149,738)
Central	1,851,377	2,128,857	1,960,321	168,536
Other	351,626	411,489	322,332	89,157
Total supporting services	30,570,745	32,929,902	31,735,208	1,194,694
Community service activities	140,050	262,939	236,950	25,989
Outgoing transfers and other transactions	536,840	536,840	342,093	194,747
Debt service:				
Principal repayments	82,646	82,646	82,646	
Interest expense	2,197	2,197	2,188	9
Total debt service	84,843	84,843	84,834	9
Total expenditures	78,696,309	84,137,904	81,265,822	2,872,082
EXCESS OF REVENUES OVER EXPENDITURES	(1,428,389)	(1,172,462)	752,912	1,925,374
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	137,867	137,867	99,475	(38,392)
Operating transfers to other funds	(1,495,955)	(1,508,434)	(1,318,089)	190,345
Total other financing uses	(1,358,088)	(1,370,567)	(1,218,614)	151,953
NET CHANGE IN FUND BALANCE	\$ (2,786,477)	\$ (2,543,029)	(465,702)	\$ 2,077,327
FUND BALANCE:				
Beginning of year			13,368,043	
End of year			<u>\$ 12,902,341</u>	

ADDITIONAL INFORMATION

**TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
YEAR ENDED JUNE 30, 2005**

	Final budget	Actual	Variance with final budget- positive (negative)
LOCAL SOURCES:			
Property taxes	\$ 25,991,821	\$ 25,925,302	\$ (66,519)
Tuition	51,433	49,860	(1,573)
Interest	365,000	381,637	16,637
Other local revenue	1,061,363	1,477,339	415,976
TOTAL LOCAL SOURCES	27,469,617	27,834,138	364,521
STATE SOURCES:			
Foundation grant	44,608,805	44,608,806	1
Special education	2,891,710	2,880,752	(10,958)
At risk	1,563,035	1,180,142	(382,893)
Other state revenue	721,366	630,308	(91,058)
TOTAL STATE SOURCES	49,784,916	49,300,008	(484,908)
FEDERAL SOURCES:			
Title I	1,323,310	1,073,661	(249,649)
Title II - improving teacher quality	532,812	501,560	(31,252)
Drug-free schools and communities	71,491	66,142	(5,349)
Homeless assistance grant	72,633	57,256	(15,377)
Comprehensive school reform	284,765	218,754	(66,011)
Other federal revenue	1,332,907	823,973	(508,934)
TOTAL FEDERAL SOURCES	3,617,918	2,741,346	(876,572)
INCOMING TRANSFERS AND OTHER TRANSACTIONS:			
Special education	1,956,776	1,974,024	17,248
Other	136,215	169,218	33,003
TOTAL INCOMING TRANSFERS AND OTHER TRANSACTIONS	2,092,991	2,143,242	50,251
OTHER FINANCING SOURCES:			
Operating transfers	137,867	99,475	(38,392)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 83,103,309	\$ 82,118,209	\$ (985,100)

**TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2005**

	Final budget	Actual	Variance with final budget- positive (negative)
INSTRUCTION:			
Basic programs:			
Elementary:			
Salaries	\$ 14,789,869	\$ 14,384,016	\$ 405,853
Benefits	6,066,776	6,070,484	(3,708)
Purchased services	295,111	279,603	15,508
Supplies and materials	407,316	295,310	112,006
Capital outlay	16,988	10,645	6,343
Total elementary	21,576,060	21,040,058	536,002
Middle school:			
Salaries	6,665,946	6,642,068	23,878
Benefits	2,824,276	2,829,726	(5,450)
Purchased services	98,682	98,503	179
Supplies and materials	227,411	183,570	43,841
Other expenses	1,000	979	21
Capital outlay	17,719	3,971	13,748
Total middle school	9,835,034	9,758,817	76,217
High school:			
Salaries	6,039,403	6,082,023	(42,620)
Benefits	2,547,892	2,558,083	(10,191)
Purchased services	208,732	214,835	(6,103)
Supplies and materials	323,789	287,993	35,796
Other expenses	4,200	1,703	2,497
Capital outlay	270,507	81,949	188,558
Total high school	9,394,523	9,226,586	167,937
Pre-school:			
Salaries	149,880	154,139	(4,259)
Benefits	66,034	70,061	(4,027)
Purchased services	1,100	146	954
Supplies and materials	20,860	4,719	16,141
Total Pre-school	237,874	229,065	8,809
Summer school:			
Salaries	17,137	18,035	(898)
Benefits	3,645	3,850	(205)
Purchased services	2,000	1,532	468
Supplies and materials	2,000	295	1,705
Other expenses	600		600
Total summer school	25,382	23,712	1,670
Total instruction-basic programs	41,068,873	40,278,238	790,635

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEAR ENDED JUNE 30, 2005
(Continued)

	Final budget	Actual	Variance with final budget positive (negative)
INSTRUCTION (Concluded):			
Added needs:			
Special education:			
Salaries	\$ 4,376,671	\$ 4,340,484	\$ 36,187
Benefits	1,800,055	1,785,211	14,844
Purchased services	280	65	215
Supplies and materials	73,531	32,706	40,825
Other expenses	3,278	17	3,261
Capital outlay	4,011	2,011	2,000
	<hr/>	<hr/>	<hr/>
Total special education	6,257,826	6,160,494	97,332
	<hr/>	<hr/>	<hr/>
Compensatory education:			
Salaries	1,466,040	1,325,481	140,559
Benefits	491,227	456,327	34,900
Purchased services	12,988	10,073	2,915
Supplies and materials	350,143	94,129	256,014
Other expenses	136,222	1,438	134,784
	<hr/>	<hr/>	<hr/>
Total compensatory education	2,456,620	1,887,448	569,172
	<hr/>	<hr/>	<hr/>
Vocational education:			
Salaries	324,549	327,089	(2,540)
Benefits	135,223	135,849	(626)
Purchased services	360	360	
Supplies and materials	79,929	24,247	55,682
Capital outlay	<hr/>	53,012	(53,012)
	<hr/>	<hr/>	<hr/>
Total vocational education	540,061	540,557	(496)
	<hr/>	<hr/>	<hr/>
Total instruction-added needs	9,254,507	8,588,499	666,008
	<hr/>	<hr/>	<hr/>
TOTAL INSTRUCTION	50,323,380	48,866,737	1,456,643
	<hr/>	<hr/>	<hr/>

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEAR ENDED JUNE 30, 2005
(Continued)

	Final budget	Actual	Variance with final budget positive (negative)
SUPPORTING SERVICES:			
Pupil services:			
Salaries	\$ 2,309,915	\$ 2,262,687	\$ 47,228
Benefits	825,605	817,849	7,756
Purchased services	118,718	88,578	30,140
Supplies and materials	33,872	23,614	10,258
Other expenses	1,378	120	1,258
Capital outlay	11,450	17,887	(6,437)
	<hr/>	<hr/>	<hr/>
Total pupil services	3,300,938	3,210,735	90,203
	<hr/>	<hr/>	<hr/>
Instructional staff:			
Salaries	2,455,179	2,259,012	196,167
Benefits	832,639	741,459	91,180
Purchased services	1,069,809	838,680	231,129
Supplies and materials	297,425	272,971	24,454
Other expenses	110,416	18,077	92,339
Capital outlay	31,304	19,642	11,662
	<hr/>	<hr/>	<hr/>
Total instructional staff	4,796,772	4,149,841	646,931
	<hr/>	<hr/>	<hr/>
General administration:			
Salaries	297,028	321,352	(24,324)
Benefits	91,354	159,635	(68,281)
Purchased services	170,157	151,791	18,366
Supplies and materials	14,734	10,697	4,037
Other expenses	40,853	26,194	14,659
Capital outlay	10,300	16,546	(6,246)
	<hr/>	<hr/>	<hr/>
Total general administration	624,426	686,215	(61,789)
	<hr/>	<hr/>	<hr/>

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEAR ENDED JUNE 30, 2005
(Continued)

	Final budget	Actual	Variance with final budget positive (negative)
SUPPORTING SERVICES (Continued) :			
School administration:			
Salaries	\$ 3,955,649	\$ 3,905,160	\$ 50,489
Benefits	1,464,516	1,336,867	127,649
Purchased services	53,544	55,385	(1,841)
Supplies and materials	23,691	25,513	(1,822)
Other expenses	29,005	31,734	(2,729)
	<hr/>	<hr/>	<hr/>
Total school administration	5,526,405	5,354,659	171,746
	<hr/>	<hr/>	<hr/>
Business services:			
Salaries	829,449	830,159	(710)
Benefits	378,391	326,658	51,733
Purchased services	21,160	251,616	(230,456)
Supplies and materials	167,048	156,152	10,896
Other expenses	123,702	123,030	672
Capital outlay	124,987	124,580	407
	<hr/>	<hr/>	<hr/>
Total business services	1,644,737	1,812,195	(167,458)
	<hr/>	<hr/>	<hr/>
Operations and maintenance:			
Salaries	3,631,454	3,451,885	179,569
Benefits	1,775,152	1,701,116	74,036
Purchased services	1,518,593	1,440,894	77,699
Supplies and materials	2,020,990	1,988,840	32,150
Other expenses	96,954	6,502	90,452
Capital outlay	10,800	57,600	(46,800)
	<hr/>	<hr/>	<hr/>
Total operations and maintenance	9,053,943	8,646,837	407,106
	<hr/>	<hr/>	<hr/>

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEAR ENDED JUNE 30, 2005
(Continued)

	Final budget	Actual	Variance with final budget positive (negative)
SUPPORTING SERVICES (Concluded):			
Transportation:			
Salaries	\$ 2,902,789	\$ 2,992,477	\$ (89,688)
Benefits	1,387,445	1,446,333	(58,888)
Purchased services	367,567	374,775	(7,208)
Supplies and materials	732,255	720,933	11,322
Other expenses	11,014	16,071	(5,057)
Capital outlay	41,265	41,484	(219)
Total transportation	5,442,335	5,592,073	(149,738)
Central services:			
Salaries	1,140,528	1,103,119	37,409
Benefits	472,991	437,253	35,738
Purchased services	398,116	346,724	51,392
Supplies and materials	68,332	55,709	12,623
Other expenses	12,666	10,300	2,366
Capital outlay	36,224	7,216	29,008
Total central services	2,128,857	1,960,321	168,536
Other support services:			
Salaries	195,352	181,809	13,543
Benefits	53,934	57,203	(3,269)
Purchased services	113,904	74,739	39,165
Supplies and materials	4,457	1,992	2,465
Other expenses	43,842	5,142	38,700
Capital outlay		1,447	(1,447)
Total other support services	411,489	322,332	89,157
TOTAL SUPPORTING SERVICES	32,929,902	31,735,208	1,194,694

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEAR ENDED JUNE 30, 2005
(Concluded)

	Final budget	Actual	Variance with final budget positive (negative)
COMMUNITY SERVICE:			
Salaries	\$ 120,793	\$ 120,294	\$ 499
Benefits	33,841	35,077	(1,236)
Purchased services	77,347	69,003	8,344
Supplies and materials	19,506	3,397	16,109
Other expenses	11,452	9,179	2,273
TOTAL COMMUNITY SERVICES	262,939	236,950	25,989
OUTGOING TRANSFERS AND OTHER:			
Payments to other governmental units	136,194	27,515	108,679
Prior year adjustments	2,000		2,000
Capital outlay	398,646	314,578	84,068
TOTAL OUTGOING TRANSFERS AND OTHER	536,840	342,093	194,747
DEBT SERVICE:			
Principal repayments	82,646	82,646	
Interest expense	2,197	2,188	9
TOTAL DEBT SERVICE	84,843	84,834	9
TOTAL EXPENDITURES	\$84,137,904	\$81,265,822	\$ 2,872,082

**TRAVERSE CITY AREA PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2005**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Nonmajor capital projects</u>	<u>Total nonmajor governmental funds</u>
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 1,007,954	\$ 1,843,321	\$ 62,539	\$ 2,913,814
Accounts receivable	82,502			82,502
Delinquent taxes receivable		40,841		40,841
Due from other governmental units	573,974		57,832	631,806
Due from other funds	225,404	173,593		398,997
Inventories	121,931			121,931
	<u>121,931</u>	<u>173,593</u>	<u>57,832</u>	<u>398,997</u>
TOTAL ASSETS	<u><u>\$ 2,011,765</u></u>	<u><u>\$ 2,057,755</u></u>	<u><u>\$ 120,371</u></u>	<u><u>\$ 4,189,891</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 43,873	\$	\$	\$ 43,873
Due to other funds	658,016	176,301		834,317
Deferred revenue	27,435	34,900		62,335
	<u>27,435</u>	<u>34,900</u>	<u>0</u>	<u>62,335</u>
TOTAL LIABILITIES	<u>729,324</u>	<u>211,201</u>	<u>0</u>	<u>940,525</u>
FUND BALANCES:				
Reserved for inventories	121,931			121,931
Reserved for debt service		1,846,554		1,846,554
Unreserved, undesignated	1,160,510		120,371	1,280,881
	<u>1,160,510</u>	<u>1,846,554</u>	<u>120,371</u>	<u>1,280,881</u>
TOTAL FUND BALANCES	<u>1,282,441</u>	<u>1,846,554</u>	<u>120,371</u>	<u>3,249,366</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,011,765</u></u>	<u><u>\$ 2,057,755</u></u>	<u><u>\$ 120,371</u></u>	<u><u>\$ 4,189,891</u></u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2005

	<u>Special revenue</u>	<u>Debt service</u>	<u>Nonmajor capital projects</u>	<u>Total nonmajor governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$	\$ 9,985,419	\$	\$ 9,985,419
Investment earnings	14,061	117,544		131,605
Food sales and admissions	2,943,600			2,943,600
Tuition	1,545,125			1,545,125
Other	475,991		63,154	539,145
Total local sources	4,978,777	10,102,963	63,154	15,144,894
State sources	153,806			153,806
Federal sources	2,334,290			2,334,290
Intermediate school district	325,552			325,552
Total revenues	7,792,425	10,102,963	63,154	17,958,542
EXPENDITURES:				
Current:				
Food service activities	4,528,824			4,528,824
Athletic activities	1,504,280			1,504,280
Community service activity	2,257,966			2,257,966
Outgoing transfers and other transactions	296,341			296,341
Capital outlay	48,205		58,680	106,885
Debt service:				
Principal repayment		6,830,000		6,830,000
Interest expense		3,225,215		3,225,215
Payment to refunded bond escrow		204,844		204,844
Bond issuance costs		90,124		90,124
Other expense		34,438		34,438
Total expenditures	8,635,616	10,384,621	58,680	19,078,917
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(843,191)	(281,658)	4,474	(1,120,375)
OTHER FINANCING SOURCES (USES):				
Proceeds from bond refunding		11,110,000		11,110,000
Bond premium		681,267		681,267
Payment to refunded bond escrow account		(11,692,578)		(11,692,578)
Proceeds from sale of fixed assets			32,253	32,253
Operating transfers from other funds	1,218,779	99,310		1,318,089
Operating transfers to other funds	(99,475)			(99,475)
Total other financing sources	1,119,304	197,999	32,253	1,349,556
NET CHANGE IN FUND BALANCES	276,113	(83,659)	36,727	229,181
FUND BALANCES:				
Beginning of year	1,006,328	1,930,213	83,644	3,020,185
End of year	\$ 1,282,441	\$ 1,846,554	\$ 120,371	\$ 3,249,366

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2005**

	Food service	Athletic	Community Services	Totals
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 598,944	\$ 53,458	\$ 355,552	\$ 1,007,954
Accounts receivable	53,000	155	29,347	82,502
Due from other governmental units	250,399		323,575	573,974
Due from other funds	224,024	939	441	225,404
Inventories	121,931			121,931
TOTAL ASSETS	\$ 1,248,298	\$ 54,552	\$ 708,915	\$ 2,011,765
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 14,002	\$	\$ 29,871	\$ 43,873
Due to other funds	647,833		10,183	658,016
Deferred revenue	12,915	14,520		27,435
TOTAL LIABILITIES	674,750	14,520	40,054	729,324
FUND BALANCES:				
Reserved for inventories	121,931			121,931
Undesignated	451,617	40,032	668,861	1,160,510
TOTAL FUND BALANCES	573,548	40,032	668,861	1,282,441
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,248,298	\$ 54,552	\$ 708,915	\$ 2,011,765

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005**

	Food service	Athletic	Community Services	Totals
REVENUES:				
Sales	\$2,549,338	\$	\$	\$ 2,549,338
Tuition			1,545,125	1,545,125
State aid	153,806			153,806
Federal aid	1,381,257		953,033	2,334,290
Intermediate school district			325,552	325,552
Admissions		356,767	37,495	394,262
Interest on investments	14,061			14,061
Other	445,413	27,063	3,515	475,991
Total revenues	4,543,875	383,830	2,864,720	7,792,425
EXPENDITURES:				
Cost of goods sold - net	2,401,982			2,401,982
Salaries and wages	1,363,492	768,317	1,340,743	3,472,552
Employee benefits	398,572	183,792	622,160	1,204,524
Contracted services	244,335	447,594	206,654	898,583
Materials and supplies	111,453	13,017	83,855	208,325
Capital outlay	13,010	17,802	17,393	48,205
Miscellaneous	8,990	91,560	4,554	105,104
Outgoing transfers and other transactions			296,341	296,341
Total expenditures	4,541,834	1,522,082	2,571,700	8,635,616
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,041	(1,138,252)	293,020	(843,191)
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds		1,178,284	40,495	1,218,779
Operating transfers to other funds			(99,475)	(99,475)
Total other financing sources (uses)		1,178,284	(58,980)	1,119,304
NET CHANGE IN FUND BALANCES	2,041	40,032	234,040	276,113
FUND BALANCES:				
Beginning of year	571,507		434,821	1,006,328
End of year	\$ 573,548	\$ 40,032	\$ 668,861	\$ 1,282,441

**TRAVERSE CITY AREA PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2005**

	<u>1995</u>	<u>1997</u>	<u>1998</u>	<u>2001</u>	<u>Q.Z.A.B</u>	<u>2004</u>	<u>2005</u>	<u>2004 Refunding</u>	<u>2005 Refunding</u>	<u>Total Nonmajor</u>
ASSETS										
ASSETS:										
Cash and cash equivalents	\$ 139,688	\$ 66,720	\$ 264,046	\$ 353,609	\$ 398,207	\$ 226,304	\$ 10,453	\$ 375,692	\$ 8,602	\$ 1,843,321
Due from other governmental funds		139,288				34,305				173,593
Delinquent taxes receivable						40,841				40,841
TOTAL ASSETS	<u>\$ 139,688</u>	<u>\$ 206,008</u>	<u>\$ 264,046</u>	<u>\$ 353,609</u>	<u>\$ 398,207</u>	<u>\$ 301,450</u>	<u>\$ 10,453</u>	<u>\$ 375,692</u>	<u>\$ 8,602</u>	<u>\$ 2,057,755</u>
LIABILITIES AND FUND BALANCES										
LIABILITIES:										
Deferred revenue	\$	\$	\$	\$	\$	\$ 34,900	\$	\$	\$	\$ 34,900
Due to other governmental funds	139,688	300	300	34,555	967	241		250		176,301
TOTAL LIABILITIES	<u>139,688</u>	<u>300</u>	<u>300</u>	<u>34,555</u>	<u>967</u>	<u>35,141</u>		<u>250</u>		<u>211,201</u>
FUND BALANCES:										
Reserved for debt service		205,708	263,746	319,054	397,240	266,309	10,453	375,442	8,602	1,846,554
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 139,688</u>	<u>\$ 206,008</u>	<u>\$ 264,046</u>	<u>\$ 353,609</u>	<u>\$ 398,207</u>	<u>\$ 301,450</u>	<u>\$ 10,453</u>	<u>\$ 375,692</u>	<u>\$ 8,602</u>	<u>\$ 2,057,755</u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005**

	<u>1995</u>	<u>1997</u>	<u>1998</u>	<u>2001</u>	<u>Q.Z.A.B</u>	<u>2004</u>	<u>2005</u>	<u>2004 Refunding</u>	<u>2005 Refunding</u>	<u>Total Nonmajor</u>
REVENUES:										
Local sources:										
Property taxes	\$ 864,926	\$ 1,313,403	\$ 1,729,853	\$ 961,149	\$	\$ 1,880,636	\$	\$ 3,235,452	\$	\$ 9,985,419
Interest	11,997	11,112	13,254	14,424		18,023	10,453	38,244	37	117,544
Total revenues	<u>876,923</u>	<u>1,324,515</u>	<u>1,743,107</u>	<u>975,573</u>		<u>1,898,659</u>	<u>10,453</u>	<u>3,273,696</u>	<u>37</u>	<u>10,102,963</u>
EXPENDITURES:										
Redemption of bonds	950,000	600,000	125,000	800,000		1,525,000		2,830,000		6,830,000
Interest on bonded debt	68,875	736,813	1,660,863	317,050		125,377		316,237		3,225,215
Bond issuance costs									90,124	90,124
Payment to refunded bond escrow		204,844								204,844
Other	3,247	4,625	5,996	3,414		6,253		10,903		34,438
Total expenditures	<u>1,022,122</u>	<u>1,546,282</u>	<u>1,791,859</u>	<u>1,120,464</u>		<u>1,656,630</u>		<u>3,157,140</u>	<u>90,124</u>	<u>10,384,621</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(145,199)</u>	<u>(221,767)</u>	<u>(48,752)</u>	<u>(144,891)</u>		<u>242,029</u>	<u>10,453</u>	<u>116,556</u>	<u>(90,087)</u>	<u>(281,658)</u>
OTHER FINANCING SOURCES (USES):										
Proceeds from bond refunding									11,110,000	11,110,000
Bond premium									681,267	681,267
Payment to refunded bond escrow account									(11,692,578)	(11,692,578)
Operating transfers from other funds					99,310					99,310
Total other financing sources (uses)					<u>99,310</u>				<u>98,689</u>	<u>197,999</u>
NET CHANGE IN FUND BALANCES	<u>(145,199)</u>	<u>(221,767)</u>	<u>(48,752)</u>	<u>(144,891)</u>	<u>99,310</u>	<u>242,029</u>	<u>10,453</u>	<u>116,556</u>	<u>8,602</u>	<u>(83,659)</u>
FUND BALANCES:										
Beginning of year	284,487	288,187	312,498	463,945	297,930	24,280		258,886		1,930,213
Residual equity transfer	<u>(139,288)</u>	<u>139,288</u>								
End of year	<u>\$</u>	<u>\$ 205,708</u>	<u>\$ 263,746</u>	<u>\$ 319,054</u>	<u>\$ 397,240</u>	<u>\$ 266,309</u>	<u>\$ 10,453</u>	<u>\$ 375,442</u>	<u>\$ 8,602</u>	<u>\$ 1,846,554</u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS
NONMAJOR CAPITAL PROJECTS FUND
BALANCE SHEET
JUNE 30, 2005**

	<u>Capital projects</u>
ASSETS	
Cash	\$ 62,539
Due from other governmental units	<u>57,832</u>
TOTAL ASSETS	<u><u>\$ 120,371</u></u>
FUND BALANCE	
Fund balance:	
Unreserved, undesignated	<u><u>\$ 120,371</u></u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS
NONMAJOR CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2005**

	<u>Capital projects</u>
REVENUE:	
Other local revenue	\$ 63,154
EXPENDITURES:	
Capital outlay	<u>58,680</u>
EXCESS OF REVENUES OVER EXPENDITURES	4,474
OTHER FINANCING SOURCES	
Proceeds from sale of fixed asset	<u>32,253</u>
NET CHANGE IN FUND BALANCE	36,727
FUND BALANCE:	
Beginning of year	<u>83,644</u>
End of year	<u><u>\$ 120,371</u></u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
FIDUCIARY FUND TYPES
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY - AGENCY FUND
YEAR ENDED JUNE 30, 2005

	Balance 07/01/04	Additions	Deductions	Balance 06/30/05
Trust and Agency - District Level	\$ 74,252	\$ 77,015	\$ 83,151	\$ 68,116
Trust and Agency - Elementary	7,175	2,000	7,435	1,740
Courtade	17,704	15,741	18,344	15,101
Westwood	8,095	18,554	20,667	5,982
Blair	13,343	23,247	19,429	17,161
 Silver Lake	 14,705	 26,299	 21,392	 19,612
Bertha Vos	10,296	18,897	17,144	12,049
Central	41,338	33,742	28,486	46,594
Cherry Knoll	30,933	69,309	66,042	34,200
Montessori		11,033	6,279	4,754
 Eastern	 33,325	 79,214	 91,544	 20,995
Interlochen	21,386	41,119	40,282	22,223
Long Lake	11,825	29,625	26,198	15,252
Glen Loomis	2,469	7,494	8,270	1,693
Norris	11,757	26,044	20,966	16,835
 Oak Park	 19,907	 17,668	 22,829	 14,746
Old Mission	41,649	36,999	48,613	30,035
Sabin	7,700	21,430	28,502	628
Traverse Heights	7,588	12,572	12,187	7,973
 Willow Hill	 32,372	 66,209	 60,293	 38,288
West Jr. High	21,258	91,112	83,749	28,621
East Jr. High	44,746	101,161	105,613	40,294
Central High	106,093	340,022	326,155	119,960
 West Sr. High	 92,409	 385,747	 386,335	 91,821
Traverse Senior	13,551	24,926	22,306	16,171
Special Programs	2,844	7,091	6,825	3,110
Curriculum	8,202	1,809	4,260	5,751
 West Junior - Athletics	 49,699	 55,288	 67,809	 37,178
Central Senior - Athletics	967	76,641	69,854	7,754
East Junior - Athletics	10,407	13,937	15,340	9,004
West Senior - Athletics	18,620	129,937	134,340	14,217
 Music Department	 23,711	 347,173	 346,116	 24,768
Nursing Department	8,307	10,705	12,519	6,493
Administration	1,538	1,878	1,157	2,259
Bus Garage	(3,909)	19,562	12,220	3,433
	<u>\$ 806,262</u>	<u>\$ 2,241,200</u>	<u>\$ 2,242,651</u>	<u>\$ 804,811</u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2005

1997 School Building and Site Bonds

Calendar year	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2005	7.25%	\$	\$	\$ 43,500	\$ 43,500
2006	7.25%	600,000	43,500	21,750	665,250
2007	7.25%	600,000	21,750		621,750
Total 1997 bonded debt		<u>\$ 1,200,000</u>	<u>\$ 65,250</u>	<u>\$ 65,250</u>	<u>\$ 1,330,500</u>

The above bonds dated May 1, 1997 were issued for the purpose of remodeling, equipping, and re-equipping school buildings; and improving sites in the school district. The amount of the original issue was \$15,000,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2005
(Continued)

1998 Refunding Bonds

Calendar year	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2005	4.10%	\$	\$	\$ 827,869	\$ 827,869
2006	4.20%	1,350,000	827,869	799,519	2,977,388
2007	4.30%	1,640,000	799,519	764,259	3,203,778
2008	4.35%	1,935,000	764,259	722,172	3,421,431
2009	4.40%	2,455,000	722,172	668,163	3,845,335
2010	4.50%	2,565,000	668,163	610,450	3,843,613
2011	4.60%	2,545,000	610,450	551,915	3,707,365
2012	4.70%	2,525,000	551,915	492,577	3,569,492
2013	4.80%	2,505,000	492,577	432,458	3,430,035
2014	5.05%	2,490,000	432,458	369,585	3,292,043
2015	5.05%	2,480,000	369,585	306,965	3,156,550
2016	5.05%	2,465,000	306,965	244,724	3,016,689
2017	5.05%	2,455,000	244,724	182,735	2,882,459
2018	5.05%	2,440,000	182,735	121,125	2,743,860
2019	5.00%	2,430,000	121,125	60,375	2,611,500
2020	5.00%	2,415,000	60,375		2,475,375
Total 1998 bonded debt		<u>\$ 34,695,000</u>	<u>\$ 7,154,891</u>	<u>\$ 7,154,891</u>	<u>\$ 49,004,782</u>

The above bonds dated October 1, 1998 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was \$34,920,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2005
(Continued)

2001 School Building and Site Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2005	3.30%	\$	\$	\$ 145,325	\$ 145,325
2006	3.50%	800,000	145,325	131,325	1,076,650
2007	3.65%	800,000	131,325	116,725	1,048,050
2008	3.75%	800,000	116,725	101,725	1,018,450
2009	3.90%	800,000	101,725	86,125	987,850
2010	4.00%	800,000	86,125	70,125	956,250
2011	4.10%	825,000	70,125	53,212	948,337
2012	4.20%	825,000	53,212	35,888	914,100
2013	4.30%	825,000	35,888	18,150	879,038
2014	4.40%	825,000	18,150		843,150
Total 2001 bonded debt		<u>\$ 7,300,000</u>	<u>\$ 758,600</u>	<u>\$ 758,600</u>	<u>\$ 8,817,200</u>

The above bonds dated August 1, 2001 were issued for the purpose of remodeling, equipping, and re-equipping school buildings; and improving sites in the school district. The amount of the original bond issue was \$10,000,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2005
(Continued)

2004 Refunding Bonds

Calendar year	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2005	4.10%	\$	\$	\$ 112,250	\$ 112,250
2006	4.20%	2,790,000	112,250	84,350	2,986,600
2007	4.30%	2,680,000	84,350	57,550	2,821,900
2008	4.35%	2,580,000	57,550	25,300	2,662,850
2009	4.40%	1,840,000	25,300		1,865,300
Total 2004 bonded debt		<u>\$ 9,890,000</u>	<u>\$ 279,450</u>	<u>\$ 279,450</u>	<u>\$ 10,448,900</u>

The above bonds dated March 16, 2004 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was \$27,360,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2005
(Continued)

2004 School Building and Site Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2005	3.20%	\$	\$	\$ 45,513	\$ 45,513
2006	3.30%	275,000	45,513	41,387	361,900
2007	3.50%	275,000	41,387	37,263	353,650
2008	3.65%	275,000	37,263	32,450	344,713
2009	3.75%	275,000	32,450	27,294	334,744
2010	3.90%	275,000	27,294	22,137	324,431
2011	4.00%	275,000	22,137	16,638	313,775
2012	4.10%	275,000	16,638	11,137	302,775
2013	4.20%	275,000	11,137	5,638	291,775
2014	4.30%	275,000	5,638		280,638
Total 2004 bonded debt		<u>\$ 2,475,000</u>	<u>\$ 239,457</u>	<u>\$ 239,457</u>	<u>\$ 2,953,914</u>

The above bonds dated June 1, 2004 were issued for the purpose of remodeling, equipping, and re-equipping school buildings; and improving sites in the school district. The amount of the original bond issue was \$4,000,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2005
(Continued)

2005 School Building and Site Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2005	3.50%	\$	\$	\$ 187,869	\$ 187,869
2006	3.50%	2,000,000	187,869	152,869	2,340,738
2007	3.00%	2,000,000	152,869	122,869	2,275,738
2008	3.00%	775,000	122,869	111,244	1,009,113
2009	3.25%	800,000	111,244	98,244	1,009,488
2010	3.25%	825,000	98,244	84,837	1,008,081
2011	3.45%	850,000	84,837	70,175	1,005,012
2012	3.50%	900,000	70,175	54,425	1,024,600
2013	3.70%	925,000	54,425	37,312	1,016,737
2014	3.75%	950,000	37,312	19,500	1,006,812
2015	4.00%	975,000	19,500		994,500
Total 2005 bonded debt		<u>\$ 11,000,000</u>	<u>\$ 939,344</u>	<u>\$ 939,344</u>	<u>\$ 12,878,688</u>

The above bonds dated May 1, 2005 were issued for the purpose of erecting, furnishing and equipping an addition or additions and/or remodeling, refurnishing, equipping and re-equipping existing school facilities; acquiring, installing, equipping, and re-equipping school facilities for educational technology improvements; purchasing buses and developing and improving sites, including playgrounds and outdoor physical education and athletic facilities. The amount of the original bond issue was \$11,000,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2005
(Continued)

2005 Refunding Bonds

Calendar year	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2005	0.00%	\$	\$	\$ 311,805	\$ 311,805
2006	0.00%		235,819	235,819	471,638
2007	3.00%	25,000	235,819	235,444	496,263
2008	3.00%	630,000	235,444	225,994	1,091,438
2009	3.00%	940,000	225,994	211,894	1,377,888
2010	3.25%	1,245,000	211,894	191,662	1,648,556
2011	4.00%	1,220,000	191,662	167,262	1,578,924
2012	3.75%	1,205,000	167,262	144,669	1,516,931
2013	5.00%	1,185,000	144,669	115,044	1,444,713
2014	5.00%	1,175,000	115,044	85,669	1,375,713
2015	5.00%	1,170,000	85,669	56,418	1,312,087
2016	4.75%	1,165,000	56,418	28,750	1,250,168
2017	5.00%	1,150,000	28,750		1,178,750
Total 2005 bonded debt		<u>\$ 11,110,000</u>	<u>\$ 1,934,444</u>	<u>\$ 2,010,430</u>	<u>\$ 15,054,874</u>

The above bonds dated March 3, 2005 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was \$11,110,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2005
(Concluded)

1998 School Improvement Bonds (Durant Bonds)

<u>Calendar year</u>	<u>Interest rate</u>	<u>Principal due May 15</u>	<u>Interest due May 15</u>	<u>Total due annually</u>
2005	4.76%	\$	\$	\$
2006	4.76%	70,249	31,667	101,916
2007	4.76%	73,577	28,322	101,899
2008	4.76%	339,211	141,733	480,944
2009	4.76%	80,771	21,148	101,919
2010	4.76%	84,612	17,302	101,914
2011	4.76%	88,643	13,274	101,917
2012	4.76%	92,858	9,053	101,911
2013	4.76%	97,278	4,632	101,910
Total 1998 bonded debt		<u>\$ 927,199</u>	<u>\$ 267,131</u>	<u>\$ 1,194,330</u>

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF INSTALLMENT NOTE PAYABLE
YEAR ENDED JUNE 30, 2005

\$595,860 installment note payable dated July 15, 2001 for purchase of buses

<u>Calendar year</u>	<u>Interest rate</u>	<u>Principal due July 15</u>
2006	0.00%	\$ 297,930
2007	0.00%	297,930
		<u>\$ 595,860</u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF PROPERTY TAX DATA
YEAR ENDED JUNE 30, 2005**

				Tax Levy (Mills)		
	2005			Operating		
	Homestead	Non-Homestead	Total	Homestead	Non-Homestead	Debt
Other Information:						
State-equalized valuation of property assessed in the Traverse City Area School District:						
Grand Traverse County:						
Acme Township	\$ 119,137,709	\$ 100,517,697	\$ 219,655,406	6.0	18.0	3.1
Blair Township	93,631,681	63,153,091	156,784,772	6.0	18.0	3.1
East Bay Township	211,870,707	146,779,193	358,649,900	6.0	18.0	3.1
Garfield Township	248,646,185	447,945,625	696,591,810	6.0	18.0	3.1
Grant Township	7,547,536	5,821,584	13,369,120	6.0	18.0	3.1
Green Lake Township	108,745,902	71,494,448	180,240,350	6.0	18.0	3.1
Long Lake Township	214,354,595	82,221,625	296,576,220	6.0	18.0	3.1
Peninsula Township	303,500,418	119,938,101	423,438,519	6.0	18.0	3.1
Union Township	5,802,497	6,053,433	11,855,930	6.0	18.0	3.1
Whitewater Township	117,670	399,840	517,510	6.0	18.0	3.1
City of Traverse City	235,924,116	346,799,643	582,723,759	6.0	18.0	3.1
Leelanau County:						
Elmwood Township	130,818,859	58,578,746	189,397,605	6.0	18.0	3.1
Solon Township	29,282,011	8,530,558	37,812,569	6.0	18.0	3.1
Traverse City Annexed	1,558,266	8,239,594	9,797,860	6.0	18.0	3.1
Benzie County - Almira Township	22,637,493	3,811,045	26,448,538	6.0	18.0	3.1
Total	\$ 1,733,575,645	\$ 1,470,284,223	\$3,203,859,868			
Official Student Enrollment			10,888			

**TRAVERSE CITY AREA PUBLIC SCHOOLS
PROPERTY TAX DATA
JUNE 30, 2005**

<u>Year Levied</u>	<u>Delinquent July 1, 2004</u>	<u>Original tax levy</u>	<u>Collections, adjustments, and write-offs</u>	<u>Delinquent June 30, 2005</u>
General Fund				
2004	\$	\$ 25,940,767	\$ 25,794,908	\$ 145,859
2003	176,864		80,777	96,087
2002	<u>82,857</u>	<u></u>	<u>82,857</u>	<u></u>
Total General Fund	<u>259,721</u>	<u>25,940,767</u>	<u>25,958,542</u>	<u>241,946</u>
Debt Service Fund				
2004		9,930,610	9,905,373	25,237
2003	29,852		14,248	15,604
2002	<u>12,817</u>	<u></u>	<u>12,817</u>	<u></u>
Total Debt Service Funds	<u>42,669</u>	<u>9,930,610</u>	<u>9,932,438</u>	<u>40,841</u>
Total	<u>\$ 302,390</u>	<u>\$ 35,871,377</u>	<u>\$ 35,890,980</u>	<u>\$ 282,787</u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND BALANCE DESIGNATIONS BY BUILDING
JUNE 30, 2005**

Site	Amount	Supply Designation *
Bertha Vos	\$ 16,835	\$ 3,070
Blair	5,316	2,690
Central Grade	17,562	5,380
Cherry Knoll	15,802	3,360
Courtade	7,910	2,990
Eastern	6,132	3,040
Glenn Loomis	13,551	2,970
Interlochen	9,181	3,130
Long Lake	10,140	2,930
Montessori	18,826	
Norris	4,752	2,380
Oak Park	6,314	2,170
Old Mission	10,248	2,140
Sabin		2,400
Silver Lake	15,965	2,850
Traverse Heights	4,436	2,560
Westwoods	10,459	3,870
Willow Hill	34,689	3,260
East Jr. High	71,446	11,940
West Jr. High	50,052	15,030
Central Sr. High	4,257	13,080
West Sr. High	1,222	14,360
Traverse City Sr. High	308,162	
	<u>\$ 643,257</u>	<u>\$ 105,600</u>

* As part of the 2005 district-wide budget reductions, each building supply allocation was reduced by \$10.00/student. This amount is being set aside in fund balance so that in the future, if funds are available, they will be released back to the buildings.

STATISTICAL SECTION
Unaudited

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Statement of Expenses by Function - Government Wide
2003-2005 ¹

Governmental Activities:	2004-2005	2003-2004	2002-2003
Expenses			
Instruction	\$ 48,823,122	\$ 46,915,972	\$ 46,890,132
Supporting Services	32,394,692	30,463,216	29,369,284
Community Service Activities	2,512,309	3,174,945	3,071,323
Outgoing Transfers and Other Transactions	215,361	415,524	262,327
Food Service	4,539,385	4,489,544	4,387,145
Athletics	1,557,295	1,551,804	1,529,701
Interest on Long-Term Debt	3,331,954	3,642,192	3,936,728
Unallocated Depreciation	3,464,631	3,584,607	4,139,306
Total Governmental Activities	<u>\$ 96,838,749</u>	<u>\$ 94,237,804</u>	<u>\$ 93,585,946</u>

¹ Government-wide schedules were not completed prior to the implementation of GASB 34 in 2003.

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Statement of Expenditures by Function - Fund Level
1996-2005

	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
Expenditures					
Instruction	\$ 48,866,737	\$ 46,976,560	\$ 46,963,221	\$ 46,415,824	\$ 42,263,279
Supporting Services	31,735,208	30,000,627	29,383,342	28,304,690	27,331,207
Food Service Activities	4,528,824	4,479,408	4,355,098	4,059,605	4,006,994
Athletic Activities	1,504,280	1,508,246	1,526,932	1,463,494	1,371,033
Community Service Activities ¹	2,494,916	3,172,214	3,065,674	2,662,028	-
Outgoing Transfers and Other Transactions	638,434	736,924	627,937	505,650	608,527
Capital Outlay	1,935,850	2,457,439	5,515,073	3,736,004	2,648,561
Debt Service:					
Principal Repayment	6,912,646	5,454,243	5,417,985	4,280,926	3,565,028
Interest Expense	3,227,403	3,676,213	3,946,018	4,061,185	3,986,883
Payment to Refunded Bond Escrow	204,844	153,846	-	-	-
Bond Issuance Costs	90,124	80,913	-	63,585	-
Other Expense	140,406	31,489	2,587	863	4,575
	<u>\$ 102,279,672</u>	<u>\$ 98,728,122</u>	<u>\$ 100,803,867</u>	<u>\$ 95,553,854</u>	<u>\$ 85,786,087</u>
	1999-2000	1998-1999	1997-1998	1996-1997	1995-1996
Expenditures					
Instruction	\$ 40,301,250	\$ 38,755,363	\$ 37,464,977	\$ 35,246,399	\$ 34,611,796
Supporting Services	26,624,934	24,966,073	24,335,962	22,827,151	22,154,598
Food Service Activities	3,815,111	3,714,902	3,123,578	2,957,718	2,833,352
Athletic Activities	1,275,175	1,259,013	1,083,599	756,905	661,552
Community Service Activities ¹	-	-	-	-	-
Outgoing Transfers and Other Transactions	776,527	1,181,589	1,113,067	975,149	528,772
Capital Outlay	4,046,150	19,293,562	23,047,086	16,292,962	3,019,416
Debt Service:					
Principal Repayment	3,399,402	4,523,764	2,830,000	2,555,000	2,210,000
Interest Expense	4,178,111	3,657,874	4,717,650	4,036,568	3,413,038
Payment to Refunded Bond Escrow	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-
Other Expense	5,911	5,025	5,025	64,037	255,607
	<u>\$ 84,422,571</u>	<u>\$ 97,357,165</u>	<u>\$ 97,720,944</u>	<u>\$ 85,711,889</u>	<u>\$ 69,688,131</u>

¹ In 2001-2002 the District modified its accounting practices by moving certain Community Service activities, namely early childhood and latch-key type services, to a Special Revenue fund.

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Statement of Revenues by Source - Government Wide
2003-2005 ¹

Revenues	2004-2005	2003-2004	2002-2003
Program revenues:			
Charges for services	\$ 5,915,391	\$ 5,468,947	\$ 5,192,413
Federal and State Categorical Grants	7,023,234	7,906,016	8,012,590
General Revenues			
Property Taxes	35,909,932	32,901,884	31,085,269
State Aid - Unrestricted	47,489,558	49,685,396	51,048,922
Other	3,636,580	2,687,616	2,152,966
Total Revenues	<u>\$ 99,974,695</u>	<u>\$ 98,649,859</u>	<u>\$ 97,492,160</u>

¹ Government-wide schedules were not completed prior to the implementation of GASB 34 in 2003.

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Statement of Revenues by Source - Fund Level
1996-2005

	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
Revenues					
Local Sources:					
Property Taxes	\$ 35,910,721	\$ 32,863,991	\$ 31,067,165	\$ 28,987,951	\$ 26,858,117
Tuition	1,594,985	1,500,261	1,454,597	177,367	911,205
Investment Earnings	639,026	167,568	344,627	616,008	1,034,252
Food Sales, Athletics, and Community Services	2,943,600	3,086,384	2,830,253	4,509,642	3,099,492
Other	2,016,484	1,951,742	1,530,994	1,024,215	883,830
Total Local Services	43,104,816	39,569,946	37,227,636	35,315,183	32,786,896
State Sources	49,453,814	51,954,916	53,687,916	54,300,614	48,740,340
Federal Sources	5,075,636	5,051,030	4,184,539	4,034,063	2,794,558
Incoming Transfers	2,060,965	1,084,811	1,407,885	2,508,465	1,653,376
Intermediate Sources	407,829	707,726	966,080	-	-
Total Revenues	<u>\$ 100,103,060</u>	<u>\$ 98,368,429</u>	<u>\$ 97,474,056</u>	<u>\$ 96,158,325</u>	<u>\$ 85,975,170</u>
	1999-2000	1998-1999	1997-1998	1996-1997	1995-1996
Revenues					
Local Sources:					
Property Taxes	\$ 25,283,686	\$ 23,566,546	\$ 22,943,848	\$ 21,244,782	\$ 20,835,089
Tuition	-	-	-	-	-
Investment Earnings	945,485	847,549	1,050,154	1,174,219	1,097,434
Food Sales, Athletics, and Community Services	2,998,317	2,769,841	2,362,375	2,096,913	1,899,242
Other	1,415,494	3,141,977	2,614,459	2,204,393	2,379,642
Total Local Services	30,642,982	30,325,913	28,970,836	26,720,307	26,211,407
State Sources	46,819,361	45,851,735	45,348,349	45,567,776	43,332,921
Federal Sources	3,004,703	2,909,646	2,305,103	2,113,225	2,134,231
Incoming Transfers	785,414	1,058,343	1,455,956	886,619	1,038,475
Intermediate Sources	-	-	-	-	-
Total Revenues	<u>\$ 81,252,460</u>	<u>\$ 80,145,637</u>	<u>\$ 78,080,244</u>	<u>\$ 75,287,927</u>	<u>\$ 72,717,034</u>

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Property Tax Levies and Collections
Fiscal Years 1995-1996 through 2004-2005

General Fund

Fiscal Year	Tax Year	Original tax levy	Collections, adjustments, and write-offs	Delinquent June 30th	Percent of current taxes collected
2004-2005	2004	\$ 25,940,767	\$ 25,794,908	\$ 145,859	99.44%
2003-2004	2003	23,406,935	23,230,070	176,865	99.24%
2002-2003	2002	22,947,711	22,808,865	138,846	99.39%
2001-2002	2001	21,252,396	21,151,839	100,557	99.53%
2000-2001	2000	19,798,678	19,672,845	125,833	99.36%
1999-2000	1999	18,395,892	18,289,177	106,715	99.42%
1998-1999	1998	17,163,387	17,068,523	94,864	99.45%
1997-1998	1997	16,048,296	15,969,768	78,528	99.51%
1996-1997	1996	14,675,129	14,618,193	56,936	99.61%
1995-1996	1995	14,170,264	14,140,148	30,116	99.79%

Debt Service

Fiscal Year	Tax Year	Original tax levy	Collections, adjustments, and write-offs	Delinquent June 30th	Percent of current taxes collected
2004-2005	2004	\$ 9,930,610	\$ 9,905,373	\$ 25,237	99.75%
2003-2004	2003	9,218,667	9,188,814	29,853	99.68%
2002-2003	2002	8,635,819	8,611,907	23,912	99.72%
2001-2002	2001	7,987,252	7,969,934	17,318	99.78%
2000-2001	2000	7,345,788	7,324,121	21,667	99.71%
1999-2000	1999	6,825,893	6,807,512	18,381	99.73%
1998-1999	1998	6,364,461	6,347,403	17,058	99.73%
1997-1998	1997	6,870,099	6,852,430	17,669	99.74%
1996-1997	1996	6,329,770	6,318,178	11,592	99.82%
1995-1996	1995	6,478,341	6,353,738	124,603	98.08%

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Assessed and Estimated Actual Value of Taxable Property
1996-2005

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Assessed Value</u>	<u>Estimated Cash Value</u>
2004-2005	2004	\$ 4,059,564,797	\$ 8,119,129,594
2003-2004	2003	4,038,688,324	8,077,376,648
2002-2003	2002	3,368,018,670	6,736,037,340
2001-2002	2001	3,044,319,375	6,088,638,750
2000-2001	2000	2,669,351,137	5,338,702,274
1999-2000	1999	2,393,994,480	4,787,988,960
1998-1999	1998	2,350,933,089	4,701,866,178
1997-1998	1997	1,936,327,160	3,872,654,320
1996-1997	1996	1,919,831,480	3,839,662,960
1995-1996	1995	1,736,607,689	3,473,215,378

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Tax Rates - Overlapping
Tax Years 1995-2004

Tax Year	Operating (Mills)	Debt (Mills)	State Education (Mills)	Traverse Bay Area ISD (Mills)	Northwestern Michigan Community College (Mills)	County of Benzie (Mills)	Almira Township (Mills)	County of Leelanau (Mills)	Elmwood Township (Mills)	Solon Township (Mills)	Grand Traverse County (Mills)
2004	18.0000	3.1000	6.0000	2.9732	2.8324	7.5389	3.7626	3.8518	0.6970	0.6525	5.1267
2003	18.0000	3.1000	5.0000	2.9929	3.0693	7.5969	3.7660	3.9648	0.7078	0.6511	5.2112
2002	18.0000	3.1000	6.0000	3.0149	3.1152	7.6411	3.8486	4.0795	0.7229	0.6836	5.3165
2001	18.0000	3.1000	6.0000	3.0302	2.7487	7.6232	2.6425	4.1752	0.7316	0.6984	5.3931
2000	18.0000	3.1000	6.0000	3.0459	3.1832	7.6995	3.9451	4.2483	0.7402	0.7348	5.4719
1999	18.0000	3.1000	6.0000	2.7344	2.4245	7.8525	4.0494	4.3445	0.7552	0.7478	5.5666
1998	17.8866	3.1000	6.0000	2.7697	2.4612	7.9759	4.0392	4.4048	0.7641	0.7610	5.6508
1997	17.8866	3.6000	6.0000	2.7932	2.4838	8.2959	4.0995	4.4502	0.7719	0.7664	5.7027
1996	18.0000	3.6000	6.0000	2.8040	2.5000	7.7641	4.1351	4.4780	0.7741	0.7676	5.7400
1995	18.0000	3.9500	6.0000	2.8040	2.5000	7.7641	3.4620	4.4780	0.7323	0.7675	5.7400
Tax Year	Medical Care (Mills)	BATA (Mills)	District Library (Mills)	Council on Aging (Mills)	Acme Township (Mills)	Blair Township (Mills)	East Bay Township (Mills)	Garfield Township (Mills)	Grant Township (Mills)	Green Lake Township (Mills)	Long Lake Township (Mills)
2004	0.6785	0.3428	1.1957	0.0272	0.7967	4.8439	0.7610	2.8584	0.8299	2.1964	0.7132
2003	0.6897	0.3500	1.2290	0.2763	0.8506	4.7649	0.7750	2.9275	0.8744	2.2756	0.7240
2002	0.7037	0.1683	1.2691	0.2820	0.8584	4.8112	0.7931	3.0416	0.8870	0.7950	0.7400
2001	0.7139	0.1713	1.2500	0.2862	0.8802	4.8294	0.8042	2.1168	0.8912	1.9961	0.7625
2000	0.7244	0.1740	1.1760	0.2904	0.8810	4.8645	0.8156	2.2018	0.9231	2.0440	0.7796
1999	0.7370	0.1774	1.3430	0.2955	0.8994	4.8996	0.8314	2.2667	0.9677	2.0769	0.7935
1998	0.7482	0.1800	1.2410	0.1837	0.9081	5.0485	0.8486	2.3256	0.9826	2.1011	0.8056
1997	0.7551	-	1.4229	0.1854	0.9098	4.9620	0.8607	2.4027	0.9929	0.9095	0.8116
1996	0.7600	-	1.2200	0.1866	0.9141	4.5220	0.8654	2.4950	0.9929	0.9308	0.8177
1995	0.7600	-	0.5553	0.1866	0.9141	3.5220	0.8654	2.5000	0.9929	0.9289	0.8224
Tax Year	Peninsula Township (Mills)	Union Township (Mills)	Whitewater Township (Mills)	City of Traverse City (Mills)							
2004	3.7843	0.8039	0.6259	13.2295							
2003	3.8519	0.8039	0.6475	13.2295							
2002	3.7236	0.8275	0.6596	13.3943							
2001	2.8552	0.8534	0.6748	13.5447							
2000	3.2024	0.8898	0.6898	13.6199							
1999	4.1431	0.9015	0.7041	13.7575							
1998	3.3139	0.9192	0.7206	13.7575							
1997	3.0404	0.9213	0.7252	13.7575							
1996	3.2697	0.9267	0.7322	13.7575							
1995	3.3842	0.9267	0.7322	13.7575							

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Ratio of Net General Bonded Debt to Assessed Value
and Net Bonded Debt Per Capita
1996-2005

Fiscal Year	Tax Year	Population ¹ (Estimated)	Assessed Valuation	Gross Bonded Debt	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2004-2005	2004	77,350	\$ 4,059,564,797	\$ 78,597,199	\$ 1,846,554	\$76,750,645	1.89%	992.25
2003-2004	2003	76,365	4,038,688,324	74,842,199	1,930,213	72,911,986	1.81%	954.78
2002-2003	2002	75,461	3,368,018,670	77,878,402	1,276,747	76,601,655	2.27%	1,015.12
2001-2002	2001	74,394	3,044,319,375	80,817,199	1,276,747	79,540,452	2.61%	1,069.18
2000-2001	2000	72,644	2,669,351,137	75,098,125	1,247,522	73,850,603	2.77%	1,016.61
1999-2000	1999	71,409	2,393,994,480	78,663,154	961,965	77,701,189	3.25%	1,088.11
1998-1999	1998	70,113	2,350,933,089	82,062,557	1,222,022	80,840,535	3.44%	1,153.00
1997-1998	1997	68,647	1,936,327,160	82,095,000	2,607,396	79,487,604	4.11%	1,157.92
1996-1997	1996	67,645	1,919,831,480	84,925,000	2,963,414	81,961,586	4.27%	1,211.64
1995-1996	1995	66,313	1,736,607,689	72,480,000	2,832,985	69,647,015	4.01%	1,050.28

¹ Source - Northwest Michigan Council of Governments Website

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Computation of Legal Debt Margin
2004-2005

2004 State Equalized Valuation		\$	4,059,564,797
Debt Limit (15% of 2004 State Equalized Value)			608,934,720
Debt Outstanding	\$	78,597,199	
Less Bonds not subject to Debt Limit		<u>-</u>	
Total Subject to Debt Limit			<u>78,597,199</u>
Legal Debt Margin		\$	<u><u>530,337,521</u></u>

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Schedule of Direct and Overlapping Debt
1/31/2005
(Unaudited)

Direct Debt	Debt Outstanding	Percent Applicable to School District	Amount Applicable to School District	Debt Principal Per Capita (Pop 79,000)	Percent of STV ¹
General Obligation Bonds	\$ 73,500,000	100.00%	\$ 73,500,000	\$ 930	2.29%
QZAB Installment Purchase	595,860	100.00%	595,860	8	0.02%
Total Direct Debt	74,095,860		74,095,860	938	2.31%
Overlapping Debt ²					
Traverse City	30,854,688	100.00%	30,854,688	391	0.96%
Acme Township	5,865,187	88.56%	5,194,210	66	0.16%
Blair Township	6,000,000	94.58%	5,674,800	72	0.18%
East Bay Township	10,233,206	100.00%	10,233,206	130	0.32%
Elmwood Township	3,622,421	91.16%	3,302,199	42	0.10%
Garfield Township	20,364,070	100.00%	20,364,070	258	0.63%
Peninsula Township	10,134,428	100.00%	10,134,428	128	0.32%
Whitewater Township	235,000	0.39%	917	-	0.00%
Benzie County	2,480,000	3.28%	81,344	1	0.00%
Grand Traverse County	32,000,000	88.73%	28,393,600	359	0.88%
Leelanau County	6,825,000	13.92%	950,040	12	0.03%
Northwestern Community College	35,230,000	88.73%	31,259,579	396	0.97%
Traverse Area District Library	6,580,000	88.77%	5,841,066	74	0.18%
Traverse City-Garfield Recreational Authority	6,650,000	100.00%	6,650,000	84	0.21%
Total Overlapping Debt	177,074,000		158,934,147	2,013	4.94%
Total Direct and Overlapping Debt	\$ 251,169,860		\$ 233,030,007	\$ 2,951	7.25%

¹ 2004 State Taxable Value (STV) equal to \$3,211,211,575

² Overlapping debt amounts provided by Municipal Advisory Council of Michigan

Source: Municipal Advisory Council of Michigan

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Ratio of Annual Debt Service Expenditures to Total General Expenditures
1996-2005

Fiscal Year	Debt Service Fund Expenditures	Total General Expenditures	Percentage of Debt Service Fund Expenditures to General Expenditures
2004-2005	\$ 10,384,621	\$ 81,265,822	12.78%
2003-2004	9,034,107	78,040,855	11.58%
2002-2003	8,734,425	77,860,388	11.22%
2001-2002	8,342,974	77,355,095	10.79%
2000-2001	7,556,486	72,250,625	10.46%
1999-2000	7,583,424	69,441,758	10.92%
1998-1999	8,186,663	66,762,421	12.26%
1997-1998	7,552,675	66,083,591	11.43%
1996-1997	6,596,293	60,621,097	10.88%
1995-1996	5,628,538	58,571,401	9.61%

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
School District Demographic Statistics
1996-2005

Fiscal Year	Population ¹	Personal Income ¹ (Thousands)	Per Capita Income ¹	% of Michigan ¹	% of U.S. ¹	Unemployment Rate (Estimate)
2004-2005	77,350 ³	\$ 2,358,898 ³	\$ 30,296 ³	94.36% ³	94.72% ³	8.50% ³
2003-2004	76,365	2,268,171	29,702	95.31%	94.37%	8.00% ²
2002-2003	75,461	2,184,739	28,952	96.32%	94.02%	7.10%
2001-2002	74,394	2,178,333	29,281	97.80%	95.76%	6.30%
2000-2001	72,644	2,094,829	28,837	97.60%	96.67%	5.80%
1999-2000	71,409	2,001,850	28,034	99.80%	100.34%	5.10%
1998-1999	70,113	1,842,769	26,283	97.64%	97.74%	3.50%
1997-1998	68,647	1,695,571	24,700	97.35%	97.54%	3.60%
1996-1997	67,645	1,567,630	23,174	95.34%	95.82%	4.10%
1995-1996	66,313	1,468,549	22,146	94.23%	96.01%	4.80%

¹ Source: Northwest Michigan Council of Governments Website

² Unemployment rate YTD Average (February)

³ Estimated

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Property Value, Construction, and Bank Deposits
Tax Years 1995-2004

Fiscal Year	Tax Year	Valuation			New Residential Building Permits ¹		Bank Deposit
		Homestead	Non-Homestead	Total	Number	Value	State Totals for Grand Traverse County ³ (Dollar Amounts in Millions)
2004-2005	2004	\$ 1,778,390,073	\$ 1,432,821,502	\$ 3,211,211,575	909	\$135,457,065	\$ 1,400 ²
2003-2004	2003	1,673,378,161	1,300,385,270	2,973,763,431	988	125,537,857	1,353
2002-2003	2002	1,540,960,644	1,244,787,425	2,785,748,069	847	110,523,825	1,324
2001-2002	2001	1,428,144,419	1,148,381,205	2,576,525,624	796	97,223,100	1,225
2000-2001	2000	1,289,325,925	1,080,288,518	2,369,614,443	896	125,752,590	1,042
1999-2000	1999	1,179,940,764	1,024,900,497	2,204,841,261	1142	139,313,343	1,040
1998-1999	1998	1,112,656,554	941,447,618	2,054,104,172	878	103,288,545	910
1997-1998	1997	1,013,080,178	897,140,077	1,910,220,255	797	85,464,971	932
1996-1997	1996	992,531,215	768,257,208	1,760,788,423	719	78,495,792	917
1995-1996	1995	941,899,886	722,129,686	1,664,029,572	795	83,673,830	823

¹ Grand Traverse and Leelanau Counties,
2004 Residential Building Permits/Values through November 2004

² 2005 Estimated

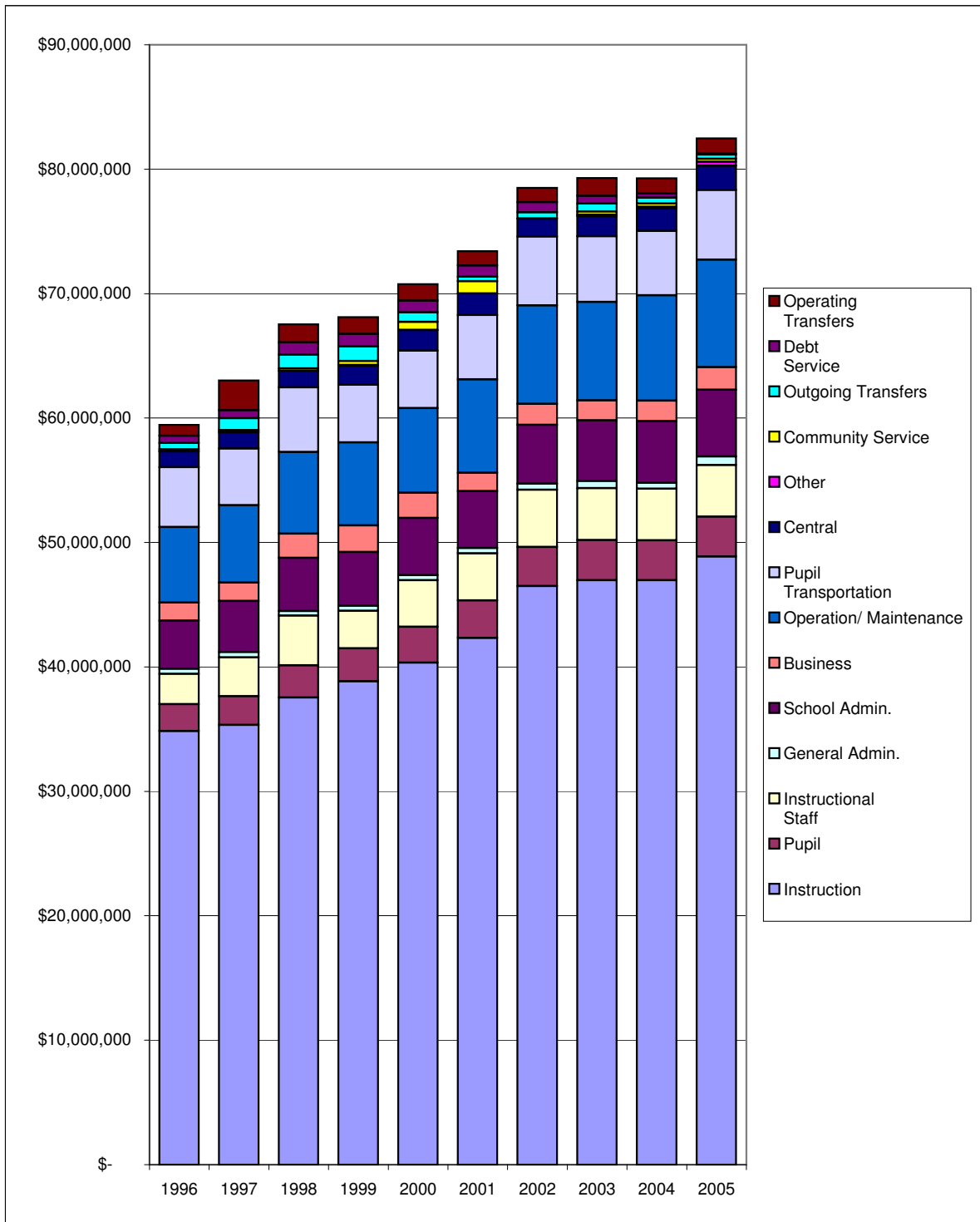
³ Source: <http://www.fdic.gov>

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Principal Taxpayers
Fiscal Year 2004-2005

Principal Taxpayer	Product/Service	Taxable Valuation and Industrial Facilities Tax Valuation	
		Total	Percent of Total
Grand Traverse Band of Ottawa Indians	Resort	\$ 26,574,504	0.83%
Carpenter Enterprises	Automotive	18,437,570	0.57%
Sara Lee Corp	Frozen Foods	18,368,655	0.57%
Great Wolf Lodge of TC LLC	Lodge	16,978,160	0.53%
DTE Energy (Michcon)	Utility	16,557,590	0.52%
Consumers Power Company	Utility	15,644,085	0.49%
Grand Traverse Crossing	Retail Shopping Mall	15,431,460	0.48%
Grand Traverse Mall, Ltd.	Retail Shopping Mall	12,509,880	0.39%
State of MI Taxable Lands	Resort Area	9,058,857	0.28%
GDO Investments	Groceries/Properties	9,094,140	0.28%
Subtotal		158,654,901	4.94%
All Others		3,052,556,674	95.06%
Totals		<u>\$ 3,211,211,575</u>	<u>100.00%</u>

Source: Grand Traverse, Leelanau, and Benzie Counties

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
General Fund - Expenditures and Operating Transfers by Function
Graphical Representation
1996-2005



TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
General Fund - Expenditures and Operating Transfers by Function
1996-2005

Year Ended June 30	Instruction	Pupil	Instructional Staff	General Admin.	School Admin.	Business	Operation/ Maintenance
1996	\$ 34,851,460	\$ 2,157,508	\$ 2,429,694	\$ 411,399	\$ 3,875,320	\$ 1,442,791	\$ 6,075,130
1997	35,343,292	2,310,604	3,119,333	411,696	4,107,642	1,474,869	6,221,423
1998	37,543,942	2,585,644	4,002,132	345,882	4,288,398	1,933,235	6,580,456
1999	38,851,849	2,634,348	3,027,583	403,874	4,305,819	2,144,610	6,677,950
2000	40,340,670	2,880,781	3,747,701	408,177	4,596,896	2,015,376	6,814,868
2001	42,326,695	3,005,080	3,787,481	444,014	4,557,756	1,481,221	7,504,224
2002	46,490,943	3,155,480	4,597,632	479,155	4,722,171	1,697,620	7,917,240
2003	46,963,221	3,226,913	4,175,087	576,501	4,877,928	1,603,593	7,908,177
2004	46,976,560	3,199,621	4,135,776	487,059	4,956,650	1,632,986	8,466,399
2005	48,866,737	3,210,735	4,149,841	686,215	5,354,659	1,812,195	8,646,837

Year Ended June 30	Pupil Transportation	Central	Other	Community Service	Outgoing Transfers	Debt Service	Operating Transfers	Total Expenditures
1996	\$ 4,811,004	\$ 1,254,247	\$ -	\$ 178,548	\$ 519,907	\$ 564,393	\$ 884,513	\$ 59,455,914
1997	4,551,246	1,310,618		166,490	965,498	638,386	2,391,657	63,012,754
1998	5,179,468	1,324,704		207,821	1,098,803	993,106	1,444,749	67,528,340
1999	4,629,464	1,530,116	64,012	303,480	1,177,189	1,012,127	1,343,660	68,106,081
2000	4,608,882	1,655,177	5,435	658,272	768,684	940,839	1,311,603	70,753,361
2001	5,182,319	1,722,234	7,960	968,062	367,819	895,760	1,153,593	73,404,218
2002	5,534,396	1,432,656	10,970		499,031	817,801	1,143,390	78,498,485
2003	5,273,537	1,596,216	145,390	253,723	627,937	632,165	1,434,894	79,295,282
2004	5,179,813	1,821,744	120,579	255,864	479,971	332,833	1,222,105	79,267,960
2005	5,592,073	1,960,321	322,332	236,950	342,093	84,834	1,218,614	82,484,436

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
General Fund - Expenditures and Operating Transfers as Percentage of Total
1996-2005

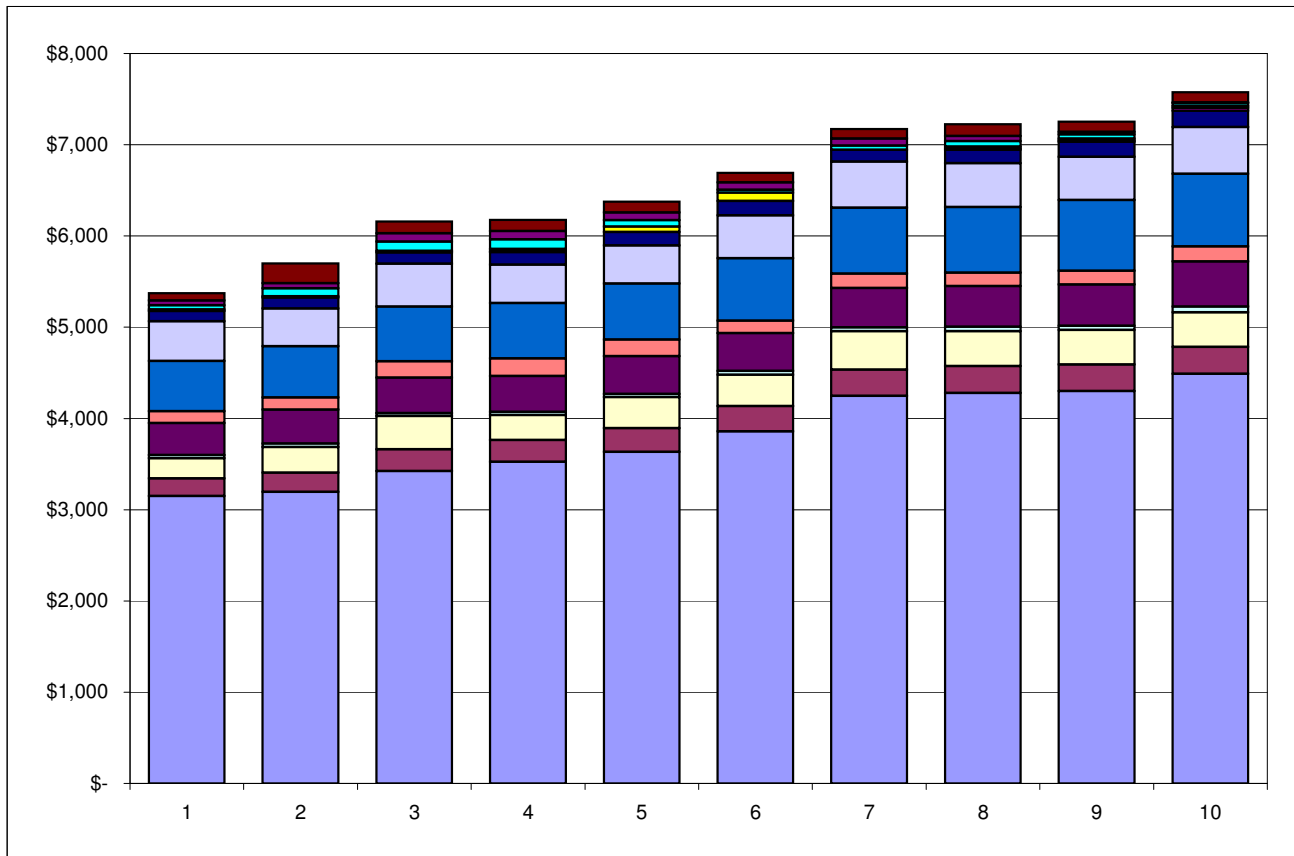
Year Ended June 30	Instruction	Pupil	Instructional Staff	General Admin.	School Admin.	Business
1996	58.62%	3.63%	4.09%	0.69%	6.52%	2.43%
1997	56.09%	3.67%	4.95%	0.65%	6.52%	2.34%
1998	55.60%	3.83%	5.93%	0.51%	6.35%	2.86%
1999	57.05%	3.87%	4.45%	0.59%	6.32%	3.15%
2000	57.02%	4.07%	5.30%	0.58%	6.50%	2.85%
2001	57.66%	4.09%	5.16%	0.60%	6.21%	2.02%
2002	59.23%	4.02%	5.86%	0.61%	6.02%	2.16%
2003	59.23%	4.07%	5.27%	0.73%	6.15%	2.02%
2004	59.26%	4.04%	5.22%	0.61%	6.25%	2.06%
2005	59.24%	3.89%	5.03%	0.83%	6.49%	2.20%

Year Ended June 30	Operation/ Maintenance	Pupil Transportation	Central	Other	Community Service	Outgoing Transfers
1996	10.22%	8.09%	2.11%	0.00%	0.29%	0.87%
1997	9.87%	7.22%	2.08%	0.00%	0.27%	1.53%
1998	9.74%	7.67%	1.96%	0.00%	0.31%	1.63%
1999	9.81%	6.80%	2.25%	0.09%	0.43%	1.73%
2000	9.63%	6.51%	2.34%	0.01%	0.92%	1.09%
2001	10.22%	7.06%	2.35%	0.01%	1.33%	0.50%
2002	10.09%	7.05%	1.83%	0.01%	0.00%	0.62%
2003	9.97%	6.65%	2.01%	0.18%	0.32%	0.79%
2004	10.68%	6.53%	2.30%	0.15%	0.33%	0.61%
2005	10.48%	6.78%	2.38%	0.39%	0.30%	0.41%

Year Ended June 30	Debt Service	Operating Transfers	Total Expenditures
1996	0.95%	1.49%	100.00%
1997	1.01%	3.80%	100.00%
1998	1.47%	2.14%	100.00%
1999	1.49%	1.97%	100.00%
2000	1.33%	1.85%	100.00%
2001	1.22%	1.57%	100.00%
2002	1.04%	1.46%	100.00%
2003	0.80%	1.81%	100.00%
2004	0.42%	1.54%	100.00%
2005	0.10%	1.48%	100.00%

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
General Fund - Comparison of Per Pupil Expenditures and Operating Transfers by Function ¹
1996-2005

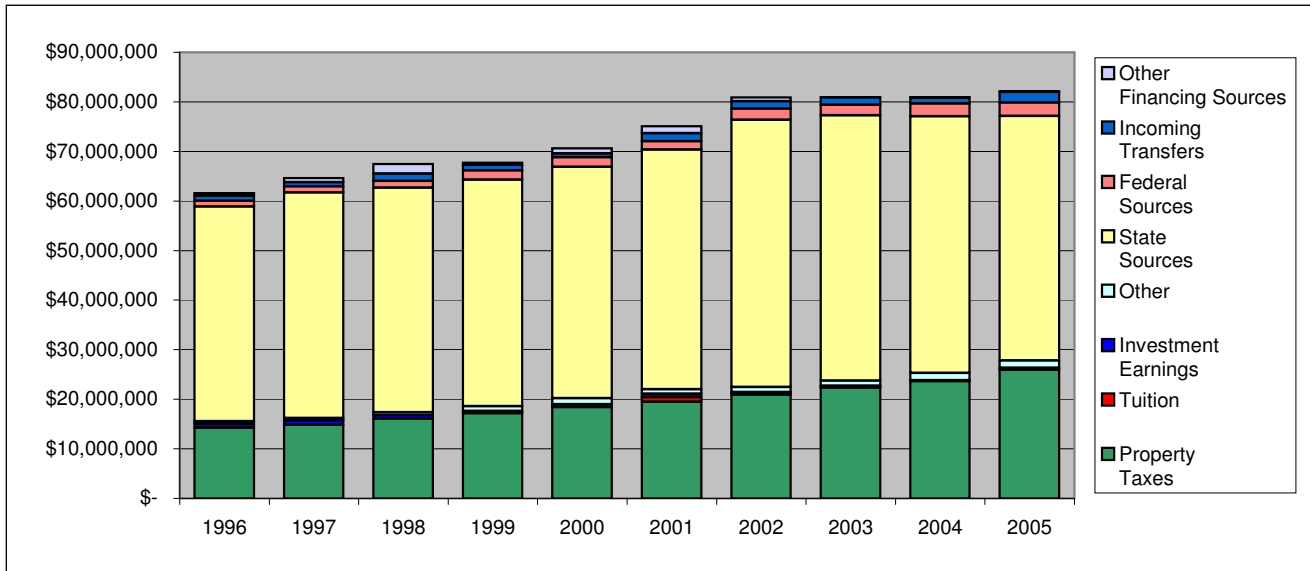


Year Ended June 30	Instruc- tion	Pupil	Instruc- tional Staff	Gen. Admin.	School Admin.	Busi- ness	Oper./ Maint.	Pupil Trans.	Central	Other	Comm. Service	Out- going Trans.	Debt Service	Oper. Trans.	Total Expen- ditures
1996	\$ 3,149	\$ 195	\$ 220	\$ 37	\$ 350	\$ 130	\$ 549	\$ 435	\$ 113	\$ -	\$ 16	\$ 47	\$ 51	\$ 80	\$ 5,372
1997	3,196	209	282	37	371	133	563	412	119	-	15	87	58	216	5,698
1998	3,425	236	365	32	391	176	600	472	121	-	19	100	91	132	6,160
1999	3,523	239	275	37	390	194	606	420	139	6	28	107	92	122	6,178
2000	3,635	260	338	37	414	182	614	415	149	0	59	69	85	118	6,375
2001	3,859	274	345	40	416	135	684	473	157	1	88	34	82	105	6,693
2002	4,247	288	420	44	431	155	723	506	131	1	-	46	75	104	7,171
2003	4,279	294	380	53	444	146	721	481	145	13	23	57	58	131	7,225
2004	4,299	293	378	45	454	149	775	474	167	11	23	44	30	112	7,254
2005	4,488	295	381	63	492	166	794	514	180	30	22	31	8	112	7,576

¹ Revenues restated on a per pupil basis by using the following formula: Revenue/current enrollment = per pupil revenue

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
General Fund - Revenues and Other Financing Sources by Source
1996-2005



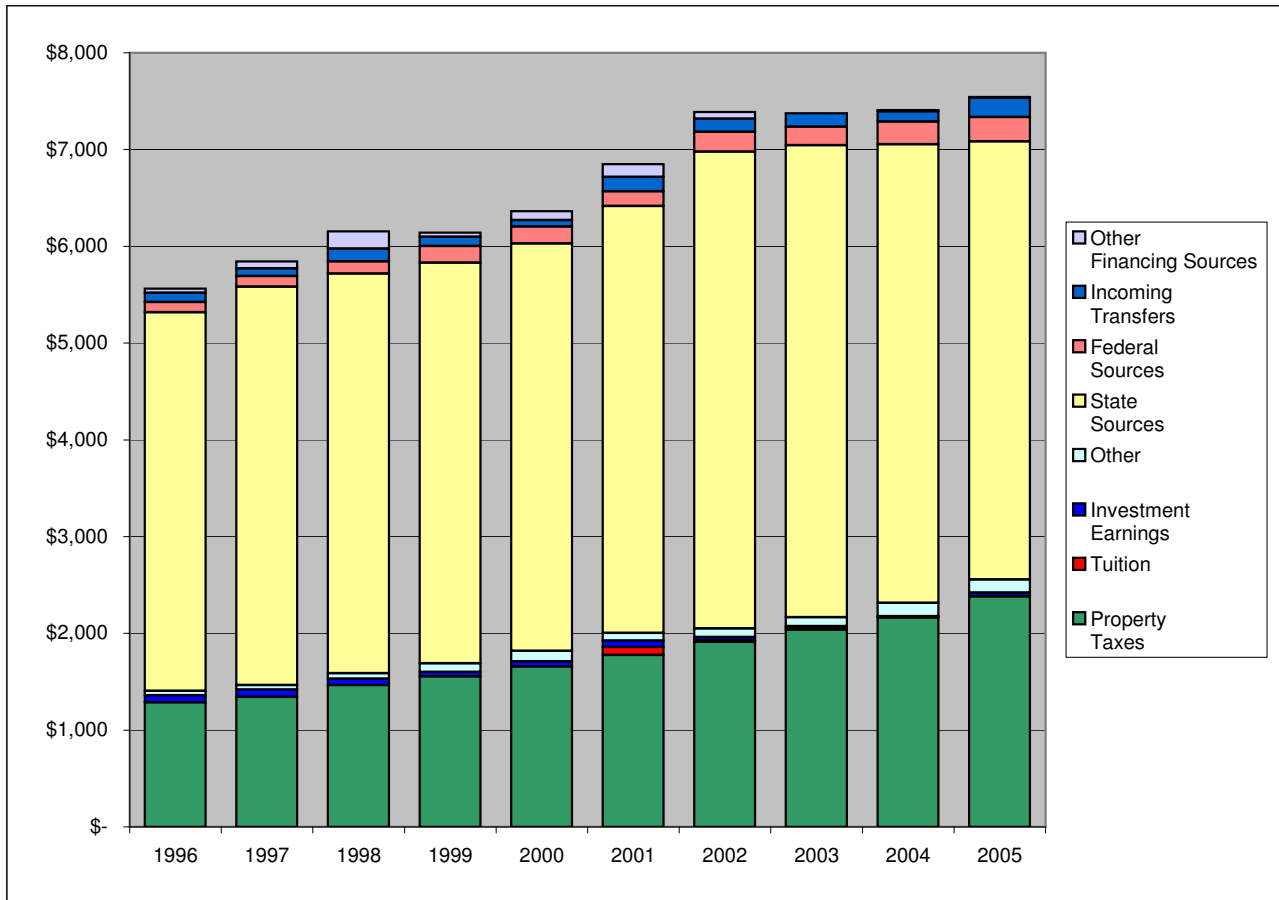
Year Ended June 30	Property Taxes	Tuition	Investment Earnings	Other	State Sources	Federal Sources	Incoming Transfers	Other Financing Sources	Total Revenues
1996	\$ 14,248,518	\$ -	\$ 796,374	\$ 499,786	\$ 43,305,569	\$ 1,195,768	\$ 1,038,475	\$ 493,899	\$ 61,578,389
1997	14,838,446	-	858,742	500,172	45,538,951	1,181,251	886,619	803,083	64,607,264
1998	16,052,425	-	748,743	597,088	45,304,401	1,365,312	1,455,956	1,935,833	67,459,758
1999	17,148,856	-	507,217	966,759	45,682,823	1,879,108	1,058,343	495,865	67,738,971
2000	18,389,306	-	577,903	1,220,378	46,707,602	1,954,859	731,854	1,022,003	70,603,905
2001	19,470,602	911,205	726,753	877,005	48,385,468	1,655,069	1,619,960	1,466,490	75,112,552
2002	20,929,104	177,367	352,111	996,954	53,935,209	2,257,777	1,469,913	772,182	80,890,617
2003	22,368,782	192,528	190,138	1,013,898	53,541,485	2,100,166	1,511,061	22,019	80,940,077
2004	23,630,674	45,831	117,837	1,485,225	51,793,293	2,567,010	1,167,088	139,430	80,946,388
2005	25,925,302	49,860	381,637	1,477,339	49,300,008	2,741,346	2,143,242	99,475	82,118,209

Sources of Revenues as a Percentage of Total Revenue

Year Ended June 30	Property Taxes	Tuition	Investment Earnings	Other	State Sources	Federal Sources	Incoming Transfers	Other Financing Sources	Total Revenues
1996	23.14%	0.00%	1.29%	0.81%	70.33%	1.94%	1.69%	0.80%	100.00%
1997	22.97%	0.00%	1.33%	0.77%	70.49%	1.83%	1.37%	1.24%	100.00%
1998	23.80%	0.00%	1.11%	0.89%	67.16%	2.02%	2.16%	2.86%	100.00%
1999	25.32%	0.00%	0.75%	1.43%	67.44%	2.77%	1.56%	0.73%	100.00%
2000	26.05%	0.00%	0.82%	1.73%	66.15%	2.77%	1.04%	1.44%	100.00%
2001	25.92%	1.21%	0.97%	1.17%	64.42%	2.20%	2.16%	1.95%	100.00%
2002	25.87%	0.22%	0.44%	1.23%	66.68%	2.79%	1.82%	0.95%	100.00%
2003	27.64%	0.24%	0.23%	1.25%	66.15%	2.59%	1.87%	0.03%	100.00%
2004	29.19%	0.06%	0.15%	1.83%	63.98%	3.17%	1.44%	0.18%	100.00%
2005	31.57%	0.06%	0.46%	1.80%	60.04%	3.34%	2.61%	0.12%	100.00%

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
General Fund - Comparison of Per Pupil Revenues and Other Financing Sources by Source
1996-2005



Year Ended June 30	Property Taxes	Tuition	Investment Earnings	Other	State Sources	Federal Sources	Incoming Transfers	Other Financing Sources	Total Revenues	Student ² Enrollment
1996	\$ 1,287	\$ -	\$ 72	\$ 45	\$ 3,912	\$ 108	\$ 94	\$ 45	\$ 5,563 ¹	11,069
1997	1,342	-	78	45	4,119	107	80	73	5,844 ¹	11,057
1998	1,464	-	68	54	4,132	125	133	177	6,153 ¹	10,963
1999	1,555	-	46	88	4,143	170	96	45	6,143 ¹	11,027
2000	1,657	-	52	110	4,209	176	66	92	6,362 ¹	11,098
2001	1,775	83	66	80	4,412	151	148	134	6,849 ¹	10,967
2002	1,912	16	32	91	4,927	206	134	71	7,389 ¹	10,947
2003	2,038	18	17	92	4,879	191	138	2	7,375 ¹	10,974
2004	2,163	4	11	136	4,740	235	107	13	7,409 ¹	10,927
2005	2,381	5	35	136	4,528	252	197	9	7,543 ¹	10,888

¹ Revenues restated on a per pupil basis by using the following formula: Revenue/current enrollment = per pupil revenue

² Student enrollment figures are taken from fall enrollment (October 1) reports.

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Taxable Valuation of Property Assessed in School District
1996-2005

Tax Year	Valuation			Tax Levy (Mills)		
	Homestead	Non-Homestead	Total	Operating		Debt
				Homestead	Non-Homestead	
2005	\$ 1,733,575,645	\$ 1,470,284,223	\$ 3,203,859,868	6.00	18.0000	3.10
2004	1,618,820,315	1,327,173,681	2,945,993,996	6.00	18.0000	3.10
2003	1,523,890,201	1,245,626,065	2,769,516,266	6.00	18.0000	3.10
2002	1,398,054,269	1,174,745,121	2,572,799,390	6.00	18.0000	3.10
2001	1,275,340,092	1,089,803,642	2,365,143,734	6.00	18.0000	3.10
2000	1,176,579,219	1,025,306,158	2,201,885,377	6.00	18.0000	3.10
1999	1,093,566,624	959,482,575	2,053,049,199	6.00	17.8866	3.10
1998	1,010,951,514	897,196,314	1,908,147,828	6.00	18.0000	3.60
1997	942,392,074	815,706,676	1,758,098,750	6.00	18.0000	3.60
1996	874,862,890	787,393,116	1,662,256,006	6.00	18.0000	3.95

Ad valorem property taxes are assessed on the basis of taxable value, which is subject to assessment caps. This is different than state equalized value, which was the method for assessing ad valorem property taxes prior to 1994. State equalized value was an amount equal to 50% of true cash value.

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Enrollment Statistics
1996-2005

School Year	Enrollment	Certified Staff ¹	Ratio Pupils to Certified Staff
2004/2005	10,888	670.00	16
2003/2004	10,927	668.00	16
2002/2003	10,974	677.00	16
2001/2002	10,947	679.00	16
2000/2001	10,967	679.00	16
1999/2000	11,098	659.00	17
1998/1999	11,027	632.00	17
1997/1998	10,963	602.00	18
1996/1997	11,057	587.00	19
1995/1996	11,069	587.00	19

¹ Certified staff includes teachers, counselors, nurses, and social workers

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Principal Employers in the District (400 or more employed)
06-30-05

Employer	Product/Service	Number Employed
Munson Medical Center	Health Care	3,000
Traverse City Area Public Schools	Education	1,513
Traverse Bay Entertainment	Gaming	1,200
Interlochen Center for the Arts	Education	350-1,200
Nish-Nah-Bee	Automotive Parts	500-999
Grand Traverse Resort	Resort	600-900
Sara Lee Bakeries	Frozen Foods	616
Cherry Growers Inc	Fruit Canning	225-600
United Technologies	Electronic Equipment	600
Northwestern Michigan Community College	Education	597
Meijer	Retail Grocery	550
Grand Traverse County	Government	550
Traverse Bay ISD	Education	500
Dura Mechanical Components, Inc.	Automotive Parts	250-499
Tower Automotive	Automotive Metal Stamping	410
Grand Traverse Pavilions	Health Care	400

Source: 2004 Michigan Manufacturers Directory and individual employers

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Insurance Coverage Data
June 30, 2005

Location	Structure*	Contents*	Playground Lighting, Signage & PIO*	Technology Data & Voice**
Traverse City High School	\$ 4,644,799	\$ 221,055	\$ 48,388	\$ 102,000
Central High School	36,375,492	802,568	357,843	687,500
West Sr. High School	28,693,599	723,399	200,000	517,500
East Jr. High	21,516,533	1,305,649	160,000	482,500
West Jr. High	24,184,556	1,758,462	269,616	362,500
Bertha Vos Elementary	4,115,030	182,328	26,264	102,000
Blair Elementary	5,132,400	198,376	65,324	102,000
Central Grade Elementary	16,553,040	418,005	27,252	147,000
Cherry Knoll Elementary	5,698,322	252,165	61,872	102,000
Courtade Elementary	5,132,400	214,327	54,123	87,000
Eastern Elementary	4,185,124	223,025	36,670	107,000
Glenn Loomis Elementary	5,690,192	227,196	51,200	97,000
Interlochen Elementary	4,544,862	232,614	38,610	112,000
Long Lake Elementary	4,729,669	221,657	46,260	97,000
Norris Elementary	4,305,527	206,272	41,830	87,000
Oak Park Elementary	4,401,308	191,198	38,785	92,000
Old Mission Elementary	4,145,857	180,731	48,785	97,000
Sabin Elementary	5,081,589	256,558	20,750	97,000
Silver Lake Elementary	5,132,400	208,600	58,550	107,000
Traverse Heights Elementary	4,472,620	191,437	54,207	112,000
Westwoods Elementary	5,136,470	225,520	51,630	177,000
Willow Hill Elementary	4,468,749	208,460	8,014	82,000
Boardman Administration Bldg.	2,339,280	703,450	-	212,000
Bus Garage	1,665,483	164,869	-	260,000
Operations Building	1,232,674	139,860	-	1,519,000
Coast Guard Soccer Fields	1,329,408	142,000	137,000	-
Thirlby Field	1,237,975	365,014	-	-
	<u>\$ 216,145,358</u>	<u>\$ 10,164,795</u>	<u>\$ 1,902,973</u>	<u>\$ 5,947,000</u>
<u>Total Real & Personal Property</u>				<u><u>\$ 234,160,126</u></u>

* Values based on Appraisal dated June 30, 2002.

**Values based on physical inventory June 30, 2005.

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Insurance Premium Summary
June 30, 2005

		Premium
<u>Total Real & Personal Property</u>		\$ 136,381
<u>Automobile Insurance</u>		
Bodily Injury Liability	\$1,000,000 each occurrence	
Statutory No-Fault Coverages	Included	
Uninsured Motorist	\$1,000,000 each occurrence	
Comprehensive Coverage (\$1,000 deductible)	All vehicles	40,750
Collision (\$1,000 deductible)	All vehicles	22,597
<u>Commercial General Liability</u>		
Bodily Injury Liability, Property Damage Liability, and Personal Injury Liability	\$1,000,000 each occurrence	54,602
<u>Umbrella Excess Liability</u>		
As a result of any one occurrence on account of bodily injury, property damage or personal injury, or any combination thereof.	\$10,000,000	53,042
<u>Inland Marine</u>		10,936
All risk basis - property owned, leased or in the care of the school district wherever it may be located (on or off premises).		
<u>Crime</u>		970
Insures money, checks & other securities.		
<u>Errors & Omissions</u>		60,872
Insures sums district may become legally obligated to pay due to wrongful acts		
	\$2,000,000 aggregate	
<u>Equipment Breakdown (Boiler & Machinery)</u>		21,746
Insures accidental breakdown of the heating and other mechanical systems.		
<u>Garagekeeper's Liability</u>		250
Insures vehicles left under the district's care		
<u>Business Interruption and Extra Expense</u>		2,250
		<hr/>
		\$ 404,396
		<hr/>
<u>Worker's Compensation Insurance</u>		\$ 227,164
Statutory requirements		<hr/>

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Summary of Owned Buildings and Sites
June 30, 2005
(Unaudited)

Building	Year of Construction or Purchase	Number of Stories	Square Footage	Acreage	Number of Classrooms	Number of Students (Sept. '04)
INSTRUCTIONAL						
<u>Elementary Schools</u>						
Bertha Vos Elementary	1953	one	33,647	6.0	12	277
Blair Elementary	1990	one	42,000	110.0	13	287
Central Grade Elementary	1922	two	143,550	4.4	27	618
Cherry Knoll Elementary	1956	one	44,952	4.1	13	337
Courtade Elementary	1991	one	42,000	16.0	14	288
Eastern Elementary	1957	one	34,226	12.0	13	315
Glenn Loomis Elementary	1957	one	46,537	4.6	13	296
Interlochen Elementary	1950	one	37,192	5.0	13	305
Long Lake Elementary	1958	one	38,648	45.0	14	307
Norris Elementary	1949	one	35,161	5.3	10	212
Oak Park Elementary	1950	one	36,000	3.5	9	205
Old Mission Elementary	1956	one	33,886	9.0	10	231
Sabin Elementary	1949	one	40,829	8.2	10	211
Silver Lake Elementary	1987	one	42,000	15.0	12	288
Traverse Heights Elementary	1950	one	36,560	14.0	12	252
Westwoods Elementary	1990	one	42,000	16.1	17	410
Willow Hill Elementary	1949	one	36,530	10.0	13	351
<u>Secondary Schools</u>						
East Jr. High	1991	one	190,000	90.0	75	1,168
West Jr. High	1969	one	210,000	80.0	15	1,499
Central High School	1958	one	260,000	36.3	65	1,286
Traverse City High School	1949	one	37,969	7.1	12	222
West Sr. High School	1997	two	240,000	100.0	65	1,449
Total Instructional			1,703,687	601.6	457	10,814
NON-INSTRUCTIONAL						
Boardman Administration Bldg.	1914	three	25,920	1.0		
Bus Garage	1971	one	19,200	14.0		
Operations Building	1981	one	12,115			
Coast Guard Warehouse	1968	one	18,000	26.0		
Thirlby Field Misc. Buildings	1995		25,884	7.0		
Total Non-Instructional			101,119	48.0		

Source: Compiled by TCAPS Business Office

OTHER ITEMS



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raack
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Traverse City Area Public Schools
Traverse City, Michigan

August 18, 2005

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Traverse City Area Public Schools as of and for the year ended June 30, 2005, which collectively comprise Traverse City Area Public Schools' basic financial statements and have issued our report thereon dated August 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Traverse City Area Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Traverse City Area Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Education
Traverse City Area Public Schools

August 18, 2005

We noted certain matters that we reported to management of Traverse City Area Public Schools in a separate letter dated August 18, 2005.

This report is intended solely for the information and use of the board of education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mamay, Costenisan & Ellis, P.C.

Certified Public Accountants



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Traverse City Area Public Schools
Traverse City, Michigan

August 18, 2005

Compliance

We have audited the compliance of Traverse City Area Public Schools with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Traverse City Area Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of Traverse City Area Public Schools' management. Our responsibility is to express an opinion on Traverse City Area Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Traverse City Area Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Traverse City Area Public Schools' compliance with those requirements.

In our opinion, Traverse City Area Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

544 Cherboung Drive • Suite 200 • Lansing, Michigan 48917-5010 • (517) 323-7500 • Fax (517) 323-6346 • www.mcecpa.com



Internal Control Over Compliance

The management of Traverse City Area Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Traverse City Area Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mamey, Costenisan & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants

TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal grantor/pass through grantor/program title	Pass-through grantor's number	Federal CFDA Number	Approved award amount	Accrued (deferred) revenue at June 30, 2004	Adjustments and transfers	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue at June 30, 2005
<u>US Department of Agriculture:</u>								
<u>Child Nutrition Cluster</u>								
Summer Food Service								
2003-2004		10.559	\$ 55,963	\$ 6,318	\$	\$ 6,318	\$	\$
2004-2005		10.559	26,380			19,412	26,380	6,968
			82,343	6,318		25,730	26,380	6,968
Passed Through the Michigan Department of Education:								
National School Breakfast Program:								
2003-2004	041970	10.553	163,204	5,513		5,513		
2004-2005	051970	10.553	191,141			152,132	191,141	39,009
			354,345	5,513		157,645	191,141	39,009
National School Lunch Program:								
2003-2004	041950/041960	10.555	910,662	17,901		17,901		
2003-2004 Snack	041980	10.555	12,661	481		481		
2004-2005	051950/051960	10.555	966,062			789,652	966,062	176,410
2004-2005 Snack	051980	10.555	8,156			6,832	8,156	1,324
			1,897,541	18,382		814,866	974,218	177,734
National School Lunch-Special Milk Program:								
2004-2005	041940	10.556	2,296			2,296	2,296	
Total Child Nutrition Cluster			2,336,525	30,213		1,000,537	1,194,035	223,711
Food Distribution:								
Entitlement Commodities	N/A	10.550	157,088			154,780	154,780	
Bonus Commodities	N/A	10.550	32,442			32,442	32,442	
			189,530			187,222	187,222	
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,526,055	30,213		1,187,759	1,381,257	223,711

These accompanying notes are an integral part of this schedule.

TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005
(Continued)

Federal grantor/pass through grantor/program title	Pass-through grantor's number	Federal CFDA Number	Approved award amount	Accrued (deferred) revenue at June 30, 2004	Adjustments and transfers	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue at June 30, 2005
<u>U.S. Department of Education:</u>								
Direct programs:								
Indian Education	S060A030803	84.060A	\$ 68,774	\$ 1,515	\$	\$ 1,515	\$	\$
Indian Education	S060A040803	84.060A	74,996			53,955	74,995	21,040
			143,770	1,515		55,470	74,995	21,040
Carol M. White Physical Education Grant	Q215F040875	84.215F	397,436			62,400	139,060	76,660
Emergency Response Grant	Q184E040064	84.184E	250,000			54,049	84,725	30,676
21st Century Community Learning Centers	S287A012390	84.287A	762,728	2,221		239,007	303,126	66,340
Arts Model Development Grant	U351D030220	84.351D	282,000	353		107,683	107,330	
Arts Model Development Grant	U351D030220	84.351D	280,878			125,594	144,628	19,034
			562,878	353		233,277	251,958	19,034
Passed Through the Michigan Department of Community Health: Domestic Violence Early Intervention	S186A000023	84.186A	40,000	9,915		11,015	1,100	
Passed Through the Michigan Department of Education:								
Title I	041530/0304	84.010	1,040,830	80,478		189,286	108,808	
Title I	041530/0405	84.010	125,107			7,223	125,107	117,884
Title I	051530/0405	84.010	1,085,155			655,122	839,746	184,624
			2,251,092	80,478		851,631	1,073,661	302,508

These accompanying notes are an integral part of this schedule.

TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005
(Continued)

Federal grantor/pass through grantor/program title	Pass-through grantor's number	Federal CFDA Number	Approved award amount	Accrued (deferred) revenue at June 30, 2004	Adjustments and transfers	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue at June 30, 2005
Community Service Grant	032600/00500-CS	84.184	\$ 121,829	\$ 47,543	\$	\$ 47,543	\$	\$
Community Service Grant	042600/0CS03	84.184	93,750			65,528	93,750	28,222
			215,579	47,543		113,071	93,750	28,222
Drug Free Schools & Communities	042860/0404	84.186	16,324			14,510	16,324	1,814
Drug Free Schools & Communities	052860/0405	84.186	55,167			27,614	49,818	22,204
			71,491			42,124	66,142	24,018
<u>U.S. Department of Education (Continued):</u>								
Passed Through the Michigan Department of Education (Concluded):								
Homeless Children & Youth	042320/0304	84.196	54,216	134		134		
Homeless Children & Youth	042320/0405-C	84.196	2,078				2,078	2,078
Homeless Children & Youth	052860/0405	84.196	70,555			41,315	55,178	13,863
			126,849	134		41,449	57,256	15,941
21st Century Community Learning Center	042110/21st03024	84.287	480,000	73,750		138,636	64,886	
21st Century Community Learning Center	052110/21st03024	84.287	480,000			292,928	475,053	182,125
			960,000	73,750		431,564	539,939	182,125
Title V Innovative Education Program Strategies	050250/0405	84.298	6,624			6,624	6,624	
Title II Part D Technology Literacy Challenge Grant	044290/0304	84.318	27,695	638		6,806	6,168	
Title II Part D Technology Literacy Challenge Grant	044290/0405	84.318	415				415	415
Title II Part D Technology Literacy Challenge Grant	054290/0405	84.318	27,515			4,470	6,132	1,662
			55,625	638		11,276	12,715	2,077

These accompanying notes are an integral part of this schedule.

TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005
(Continued)

Federal grantor/pass through grantor/program title	Pass-through grantor's number	Federal CFDA Number	Approved award amount	Accrued (deferred) revenue at June 30, 2004	Adjustments and transfers	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue at June 30, 2005
Comprehensive School Reform Demonstration Program	031880/0304	84.332	\$ 205,264	\$ 57,482	\$	\$ 115,963	58,481	\$
Comprehensive School Reform Demonstration Program	031880/0405	84.332	65,790			65,790	65,790	
Comprehensive School Reform Demonstration Program	041880/0405	84.332	160,494			58,471	94,483	36,012
			431,548	57,482		240,224	218,754	36,012
Title II - Improving Teacher Quality	040520/0304	84.367	445,057			3,798	3,798	
Title II - Improving Teacher Quality	040520/0405	84.367	41,552				41,552	41,552
Title II - Improving Teacher Quality	050520/0405	84.367	487,462			355,267	456,210	100,943
			974,071			359,065	501,560	142,495
Title III English Language Acquisition	030570/0304	84.365	17,369	567		567		
U.S. Department of Education (Concluded):								
Passed Through Traverse Bay Intermediate School District:								
Special Education Cluster:								
Capacity Building	030491/52CB	84.027A	18,600	(11,973)	11,973			
Capacity Building	040490/CB	84.027A	18,600	(18,600)	18,600			
Capacity Building	050490/CB	84.027A	18,600				18,600	18,600
Transition Mini-Grant	050490/TS	84.027A	8,224			4,675	8,224	3,549
IDEA Grant	050450/0405	84.027A	15,991			14,705	15,991	1,286
			80,015	(30,573)	30,573	19,380	42,815	23,435
Pre-School Incentives (PPI)	050460-0405	84.173A	68,525			68,525	68,525	
Total special education cluster			148,540	(30,573)	30,573	87,905	111,340	23,435

These accompanying notes are an integral part of this schedule.

TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005
(Concluded)

Federal grantor/pass through grantor/program title	Pass-through grantor's number	Federal CFDA Number	Approved award amount	Accrued (deferred) revenue at June 30, 2004	Adjustments and transfers	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue at June 30, 2005
Passed Through Waverly Community Schools:								
Title III Limited English Proficient Grant	030580-0203	84.365	\$ 8,360	\$ 8,360	\$	\$ 8,360	\$	\$
Title III Limited English Proficient Grant	040580-0304	84.365	11,456				11,456	11,456
Title III Limited English Proficient Grant	050580-0405	84.365	15,682				15,682	15,682
			35,498	8,360		8,360	27,138	27,138
TOTAL U.S. DEPARTMENT OF EDUCATION			7,451,098	252,383	30,573	2,849,078	3,563,843	997,721
<u>U.S. Department of Homeland Security:</u>								
Passed through Michigan State Police:								
Homeland Security		97.004	43,843			43,843	43,843	
<u>U.S. Department of National Endowments for the Arts:</u>								
Passed through Michigan Department of History, Arts, and Libraries:								
Literature Residency		45.025	1,300			1,300	1,300	
<u>U.S. Department of Health and Human Services:</u>								
Passed through Michigan Department of Education:								
Medicaid - Transportation		93.778	38,190			38,190	38,190	
Passed Through the Kelloggsville Public School District:								
Title III Refugee Children School Impact Grant	031840-0304	93.576	1,512	(1,512)			1,512	
Passed Through the Family Independence Agency:								
Strong Families/Safe Children	SFSC-02-28002-03	93.555	6,880	498		498		
Strong Families/Safe Children	SFSC-02-28002-03	93.556	6,670			6,632	6,632	
Strong Families/Safe Children	SFSC-02-28002-04	93.556	17,615			1,515	8,486	6,971
			31,165	498		8,645	15,118	6,971
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			70,867	(1,014)		46,835	54,820	6,971
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 10,093,163	\$ 281,582	\$ 30,573	\$ 4,128,815	\$ 5,045,063	\$ 1,228,403

These accompanying notes are an integral part of this schedule.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Traverse City Area Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. Title I, CFDA #84.010 and Title II, CFDA #84.367 were audited as major programs.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Management has utilized the Grant Section Auditor's Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 2,741,346
Other nonmajor governmental funds (special revenue fund)	2,334,290
Adjustments - Revenue not previously recorded on schedule of expenditures of federal awards	<u>(30,573)</u>
Total federal financial assistance	<u><u>\$ 5,045,063</u></u>

6. Program clusters contained within the schedule are as follows:

Child Nutrition Cluster consists of CFDA #10.553, #10.555, #10.556 and #10.559.

Special Education Cluster consists of CFDA #84.027 and #84.173.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ Yes ☒ None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I
84.367	Title II

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDING JUNE 30, 2005**

There were no audit findings in either of the prior two years.

Mission Statement

The mission of Traverse City Area Public Schools is to ensure successful academic achievement for all students.

District Goals

1. All students will demonstrate increased achievement annually in the core content areas of language arts, math, science, and social studies.
2. Traverse City Area Public Schools' staff will improve communications to involve students, staff, parents, and community in support of student achievement.
3. The District will responsibly manage its resources.